

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Iron River	County Iron
Fiscal Year End 06/30/06	Opinion Date 10/13/06	Date Audit Report Submitted to State 12/20/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

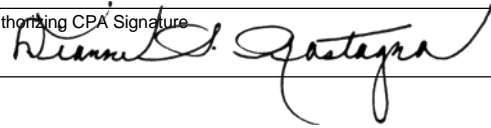
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) DS Rostagno CPA P.C.		Telephone Number 906-265-1040	
Street Address 101 West Maple Street		City Iron River	State MI
Zip 49935			
Authorizing CPA Signature 	Printed Name Dianne S. Rostagno, CPA		License Number A245771

**CITY OF IRON RIVER**

---

**Financial Report  
with Supplemental Information  
Prepared in Accordance with GASB 34**

**June 30, 2006**

## TABLE OF CONTENTS

	Page
<b>INDEPENDENT AUDITOR'S REPORT .....</b>	<b>4</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS.....</b>	<b>7</b>
<b>BASIC FINANCIAL STATEMENTS.....</b>	<b>25</b>
STATEMENT OF NET ASSETS .....	26
STATEMENT OF ACTIVITIES .....	28
BALANCE SHEET - GOVERNMENTAL FUNDS .....	30
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS.....	32
GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES .....	33
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES .....	35
ENTERPRISE FUNDS - STATEMENT OF FUND NET ASSETS.....	36
ENTERPRISE FUNDS - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS .....	38
ENTERPRISE FUNDS - COMBINING STATEMENT OF CASH FLOWS .....	40
STATEMENT OF FIDUCIARY NET ASSETS .....	44
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS .....	45
STATEMENT OF NET ASSETS – COMPONENT UNITS .....	46
STATEMENT OF ACTIVITIES – COMPONENT UNITS .....	47
<b>NOTES TO THE FINANCIAL STATEMENTS.....</b>	<b>49</b>
<b>REQUIRED SUPPLEMENTAL INFORMATION .....</b>	<b>164</b>
GENERAL FUND - BUDGETARY COMPARISON SCHEDULE .....	165
MAJOR STREET FUND - BUDGETARY COMPARISON SCHEDULE.....	166
<b>OTHER SUPPLEMENTAL INFORMATION.....</b>	<b>167</b>
NON-MAJOR GOVERNMENTAL FUNDS - COMBINING BALANCE SHEET.....	168
NON-MAJOR GOVERNMENTAL FUNDS - COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES .....	170
SPECIAL REVENUE FUNDS – COMBINING BALANCE SHEET .....	172
SPECIAL REVENUE FUNDS - COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES.....	173
GENERAL FUND – BALANCE SHEET.....	174
GENERAL FUND – STATEMENT OF REVENUES - ACTUAL AND BUDGET .....	175
GENERAL FUND – STATEMENT OF EXPENDITURES – ACTUAL AND BUDGET .....	177
MAJOR STREET FUND - BALANCE SHEET.....	184
MAJOR STREET FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – ACTUAL AND BUDGET .....	185
LOCAL STREET FUND – BALANCE SHEET .....	188
LOCAL STREET FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – ACTUAL AND BUDGET .....	189
DEBT SERVICE FUND – BALANCE SHEET.....	191
DEBT SERVICE FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – ACTUAL AND BUDGET .....	192
CITY OF IRON RIVER BUILDING AUTHORITY (DEBT SERVICE FUND TYPE) – BALANCE SHEET .....	193
CITY OF IRON RIVER BUILDING AUTHORITY (DEBT SERVICE FUND TYPE) - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES.....	194
CAPITAL PROJECTS FUND – LALLEY ROAD SEWER IMPROVEMENTS – BALANCE SHEET .....	195
CAPITAL PROJECTS FUND – LALLEY ROAD SEWER IMPROVEMENTS – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE.....	196

## **TABLE OF CONTENTS**

### **Page**

#### **OTHER SUPPLEMENTAL INFORMATION (Continued)**

CAPITAL PROJECTS - BARRIS PROPERTY/SKATEBOARD PARK – BALANCE SHEET .....	197
CAPITAL PROJECTS - BARRIS PROPERTY/SKATEBOARD PARK - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE.....	198
WATER FUND - BALANCE SHEET .....	199
WATER FUND - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS .....	200
WATER FUND - STATEMENT OF CASH FLOWS .....	204
SEWER FUND – BALANCE SHEET .....	206
SEWER FUND - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS.....	207
SEWER FUND - STATEMENT OF CASH FLOWS .....	209
RV PARK FUND - BALANCE SHEET .....	211
RV PARK FUND - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS .....	212
RV PARK FUND - STATEMENT OF CASH FLOWS .....	214
DOWNTOWN DEVELOPMENT AUTHORITY - BALANCE SHEET - DISCRETELY PRESENTED COMPONENT UNIT .....	216
DOWNTOWN DEVELOPMENT AUTHORITY - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – DISCRETELY PRESENTED COMPONENT UNIT .....	217
TAX INCREMENT FINANCING AUTHORITY - BALANCE SHEET – DISCRETELY PRESENTED COMPONENT UNIT .....	218
TAX INCREMENT FINANCING AUTHORITY - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – DISCRETELY PRESENTED COMPONENT UNIT .....	219
COMMUNITY PRIDE - BALANCE SHEET – DISCRETELY PRESENTED COMPONENT UNIT.....	220
COMMUNITY PRIDE - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - DISCRETELY PRESENTED COMPONENT UNIT.....	221

<b>INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING .....</b>	<b>222</b>
--	------------

<b>INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE.....</b>	<b>225</b>
--	------------

<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND SUPPORTING SCHEDULES.....</b>	<b>228</b>
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	229
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	230
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	231

## **INDEPENDENT AUDITOR'S REPORT**

# ***DS Rostagno, CPA, P.C.***

***101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042***

Honorable Mayor and Members of the City Council  
**City of Iron River**  
Iron River, Michigan 49935

## **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the **City of Iron River**, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, the aggregate discretely component units, each major fund, and the aggregate remaining fund information of the **City of Iron River** at June 30, 2006, and the respective changes in financial position and cash flows thereof for the fiscal year ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2006 on our consideration of the **City of Iron River's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 8 through 24 are not a required part of the basic financial statements but are supplemental information required by the *Governmental Accounting Standards Board* and by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **City of Iron River**'s basic financial statements. The introductory section and the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the **City of Iron River**, Iron River, Michigan. The combining and individual non-major fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with a large, stylized initial "D".

Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.

October 13, 2006

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



# City of Iron River

106 West Genesee Street  
Iron River, Michigan 49935

John A. Archocosky  
City Manager  
[jarchocosky@ironriver.org](mailto:jarchocosky@ironriver.org)

Phone: 906.265.4719  
Fax: 906.265.5776  
Web Page: [www.ironriver.org](http://www.ironriver.org)

The management of the **City of Iron River** provides this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. As readers, you are encouraged to read this discussion and analysis in conjunction with the City's financial statement information included in this report.

## *Overview of the Financial Statements*

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The financial section of this report included management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements are comprised of three components:

- 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

## *Government-wide financial statements*

The government-wide financial statements are designed to provide the readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

# City of Iron River

106 West Genesee Street  
Iron River, Michigan 49935

John A. Archocosky  
City Manager  
[jarchocosky@ironriver.org](mailto:jarchocosky@ironriver.org)

Phone: 906.265.4719  
Fax: 906.265.5776  
Web Page: [www.ironriver.org](http://www.ironriver.org)

## ***Government-wide financial statements (Continued)***

Both of the government-wide financial statements distinguish functions of the City that are mainly supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the City include general government, legislative, public safety, public works, highways and streets, sanitation and health, culture and recreation, and community development. The business-type activities of the City include Water Utility, Sewer Utility, and RV Park.

The government-wide financial statements include not only the City itself (known as the primary government), but also the following legally separate component units for which the City is financially accountable: *Downtown Development Authority*, *Tax Increment Financing Authority*, and *Community Pride*. Financial information for these component units is reported separately from the financial information presented for the primary government.

## **Fund Financial Statements**

The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the City can be divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

## ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spend-able resources, as well as on balances of spend-able resources available at the end of the fiscal year. This information may be useful in evaluating the City's near-term financing requirements.

# City of Iron River

106 West Genesee Street  
Iron River, Michigan 49935

John A. Archocosky  
City Manager  
[jarchocosky@ironriver.org](mailto:jarchocosky@ironriver.org)

Phone: 906.265.4719  
Fax: 906.265.5776  
Web Page: [www.ironriver.org](http://www.ironriver.org)

## **Fund Financial Statements (Continued)**

### ***Governmental Funds (Continued)***

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements and the fund financial statements is included as part of the basic financial statements.

The City maintains seven governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Major Street Fund, and the Lalley Road Sanitary Sewer Rehabilitation (Capital Project) Fund, all of which are considered major funds.

All other governmental funds are presented in aggregate. Individual fund data for each fund is presented separately in the "Other Supplementary Information" section of this report.

The City adopts an annual budget for its general and special revenue funds. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the General Fund and major special revenue funds, and is included in the "Required Supplementary Information" section of this document.

### ***Proprietary Funds***

Proprietary funds provide services for which the City charges customers a fee. The City has only one type of proprietary fund – the enterprise fund type. The enterprise funds of the City are used to report the same functions as the business-type activities in their government-wide financial statements. The Water Utility, Sewer Utility, and RV Park funds are presented separately in both the government-wide financial statements and the fund financial statements.

Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

# City of Iron River

106 West Genesee Street  
Iron River, Michigan 49935

John A. Archocosky  
City Manager  
[jarchocosky@ironriver.org](mailto:jarchocosky@ironriver.org)

Phone: 906.265.4719  
Fax: 906.265.5776  
Web Page: [www.ironriver.org](http://www.ironriver.org)

## **Fund Financial Statements (Continued)**

### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary funds for the City include the tax collection fund, the sick leave fund, the health reimbursement fund, and the employee trust fund.

Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. These funds are presented separately in the fund financial statements section of the basic financial statements.

### ***Notes to the Financial Statements***

Notes to the financial statements are included in the basic financial statements and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

### ***Supplementary Information***

Required supplementary information follows the basic financial statements, and includes budgetary comparison schedules for the General Fund and the City's major special revenue funds as presented in the governmental fund financial statements.

Separate combining financial statements for non-major governmental funds are also included in the Other Supplementary Information section of this document.

### ***Government-wide Financial Analysis***

In time, net assets of a governmental entity may serve as a useful indicator of the government's financial position. In the case of the City, assets exceeded liabilities by \$ 14,194,040 at June 30.

By far, the largest portion of the City's net assets is its investment in capital assets (land, buildings, machinery, and equipment), less any outstanding debt related to acquiring the asset. These capital assets are used to provide services to citizens and are not available for future spending.

# City of Iron River

106 West Genesee Street  
Iron River, Michigan 49935

John A. Archocosky  
City Manager  
[jarchocosky@ironriver.org](mailto:jarchocosky@ironriver.org)

Phone: 906.265.4719  
Fax: 906.265.5776  
Web Page: [www.ironriver.org](http://www.ironriver.org)

## Fund Financial Statements (Continued)

### Government-wide Financial Analysis (Continued)

### Government-wide Financial Analysis (Continued)

Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At June 30, 2006, the City reported \$ 11,944,207 in net assets invested in capital assets net of related debt.

External restrictions of the City's net assets represent resources subject to existing external obligations or programmatic control on future use. The remaining balance of unrestricted net assets of \$ 562,534 may be used to meet the government's ongoing obligations to citizens and creditors.

Total net assets in excess of liabilities at June 30 for the governmental activities and business-type activities were \$ 7,169,518 and \$ 7,024,522, respectively.

The following summarizes the comparative net assets at fiscal years ended June 30, 2006 and 2005:

	<b><u>June 30, 2006</u></b>		
	<b><u>Primary Government</u></b>		
	<b><u>Governmental</u></b>	<b><u>Business-type</u></b>	<b><u>Total</u></b>
	<b><u>Activities</u></b>	<b><u>Activities</u></b>	
Current and other assets	\$ 1541615	\$ 1210294	\$ 2751909
Capital assets, net	<u>6555263</u>	<u>12527461</u>	<u>19082724</u>
<b>Total assets</b>	<b>8096878</b>	<b>13737755</b>	<b>21834633</b>
Long-term liabilities	434815	6602000	7036815
Other liabilities	<u>492545</u>	<u>111233</u>	<u>603778</u>
<b>Total liabilities</b>	<b>\$ 927360</b>	<b>\$ 6713233</b>	<b>\$ 7640593</b>

# City of Iron River

106 West Genesee Street  
Iron River, Michigan 49935

John A. Archocosky  
City Manager  
[jarchocosky@ironriver.org](mailto:jarchocosky@ironriver.org)

Phone: 906.265.4719  
Fax: 906.265.5776  
Web Page: [www.ironriver.org](http://www.ironriver.org)

## Fund Financial Statements (Continued)

### Government-wide Financial Analysis (Continued)

**June 30, 2006**

	<b><u>Primary Government</u></b>		
	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Total</u></b>
Net assets:			
Invested in capital assets, net of related debt	\$ 6119746	\$ 5824461	\$ 11944207
Reserved	487238	1200061	1687299
Unreserved	<u>562534</u>	<u>0</u>	<u>562534</u>
<b>Total Net Assets</b>	<b>\$ 7169518</b>	<b>\$ 7024522</b>	<b>\$ 14194040</b>

**June 30, 2005**

	<b><u>Primary Government</u></b>		
	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Total</u></b>
Current and other assets	\$ 1327014	\$ 1138985	\$ 2465999
Capital assets, net	<u>5925926</u>	<u>12828936</u>	<u>18754862</u>
<b>Total assets</b>	<b>7252940</b>	<b>13967921</b>	<b>21220861</b>
Long-term liabilities	472509	6703000	7175509
Other liabilities	<u>168336</u>	<u>214596</u>	<u>392932</u>
<b>Total liabilities</b>	<b>\$ 640845</b>	<b>\$ 6917596</b>	<b>\$ 7558441</b>
Net assets:			
Invested in capital assets, net of related debt	5409071	6027936	11437007
Reserved	622115	1022389	1644504
Unreserved	<u>580909</u>	<u>0</u>	<u>580909</u>
<b>Total net assets</b>	<b>\$ 6612095</b>	<b>\$ 7050325</b>	<b>\$ 13662420</b>

# City of Iron River

106 West Genesee Street  
Iron River, Michigan 49935

John A. Archocosky  
City Manager  
[jarchocosky@ironriver.org](mailto:jarchocosky@ironriver.org)

Phone: 906.265.4719  
Fax: 906.265.5776  
Web Page: [www.ironriver.org](http://www.ironriver.org)

## Fund Financial Statements (Continued)

### Government-wide Financial Analysis (Continued)

For governmental activities, net assets increased by \$ 557,423 during the fiscal year. For business-type activities, net assets decreased by \$ 25,803 during the fiscal year.

The following represents the comparative changes in net assets for both governmental and business-type activities for the fiscal years ended June 30, 2006 and 2005:

	<u>June 30, 2006</u>		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
REVENUES	<u>Activities</u>	<u>Activities</u>	
<u>Program Revenues</u>			
Charges for services	\$ 523474	\$ 1647655	\$ 2171129
Operating grants and contributions	652219	-0-	652219
Capital grants and contributions	738572	-0-	738572
<u>General Revenues</u>			
Property taxes	777703	-0-	777703
Other taxes	36560	-0-	36560
Unrestricted grants	454265	-0-	454265
Other	<u>110910</u>	<u>47840</u>	<u>158750</u>
<b>Total Revenues</b>	<b>\$ 3293703</b>	<b>\$ 1695495</b>	<b>\$ 4989198</b>
<b>EXPENSES:</b>			
General Government	505763	-0-	505763
Legislative	8073	-0-	8073
Public safety	561113	-0-	561113
Public works	277406	-0-	277406
Highways and streets	690869	-0-	690869
Sanitation and health	130972	-0-	130972
Culture and recreation	87083	-0-	87083
Community development	16594	-0-	16594
Interest on long-term debt	31676	-0-	31676

# City of Iron River

106 West Genesee Street  
Iron River, Michigan 49935

John A. Archocosky  
City Manager  
[jarchocosky@ironriver.org](mailto:jarchocosky@ironriver.org)

Phone: 906.265.4719  
Fax: 906.265.5776  
Web Page: [www.ironriver.org](http://www.ironriver.org)

## Fund Financial Statements (Continued)

### Government-wide Financial Analysis (Continued)

	<u>June 30, 2006</u>		
	<u>Primary Government</u>		
<b>EXPENSES: (Continued)</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Other Costs	\$ -0-	\$ -0-	\$ -0-
Intergovernmental	12000	-0-	12000
Depreciation (Unallocated)	414731	-0-	414731
<i>Business-type activities:</i>			
Water	-0-	922111	922111
Sewer	-0-	778333	778333
RV Park	-0-	20854	20854
<b>Total Expenses</b>	<b>\$ 2736280</b>	<b>\$ 1721298</b>	<b>\$ 4457578</b>
Change in Net Assets	557423	(25803)	531620
Net Assets, beginning of year	6612095	7050325	13662420
<b>Net Assets, end of year</b>	<b>\$ 7169518</b>	<b>\$ 7024522</b>	<b>\$ 14194040</b>

	<u>June 30, 2005</u>		
	<u>Primary Government</u>		
<b>REVENUES:</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b><u>Program Revenues</u></b>			
Charges for services	\$ 472757	\$ 1582703	\$ 2055460
Operating grants and contributions	819412	-0-	819412
Capital grants and contributions	-0-	725525	725525
<b><u>General Revenues</u></b>			
Property taxes	776621	-0-	776621
Other taxes	10318	-0-	10318
Unrestricted grants	461242	-0-	461242
Other	90934	108761	199695
<b>Total Revenues</b>	<b>\$ 2631284</b>	<b>\$ 2416989</b>	<b>\$ 5048273</b>



# City of Iron River

106 West Genesee Street  
Iron River, Michigan 49935

John A. Archocosky  
City Manager  
[jarchocosky@ironriver.org](mailto:jarchocosky@ironriver.org)

Phone: 906.265.4719  
Fax: 906.265.5776  
Web Page: [www.ironriver.org](http://www.ironriver.org)

## Fund Financial Statements (Continued)

### Government-wide Financial Analysis (Continued)

	<u>June 30, 2005</u>		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	
<b>EXPENSES:</b>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
General Government	\$ 492204	\$ -0-	\$ 492204
Legislative	8728	-0-	8728
Public Safety	505885	-0-	505885
Public works	274743	-0-	274743
Highways and streets	515058	-0-	515058
Sanitation and health	108285	-0-	108285
Culture and recreation	79861	-0-	79861
Community development	14856	-0-	14856
Interest on long-term debt	32335	-0-	32335
Other Costs	6458	-0-	6458
Intergovernmental	37346	-0-	37346
Depreciation (Unallocated)	429234	-0-	429234
<i>Business-type activities:</i>			
Water	-0-	925985	925985
Sewer	-0-	604457	604457
RV Park	-0-	43918	43918
<b>Total Expenses</b>	<b>\$ 2504993</b>	<b>\$ 1574360</b>	<b>\$ 4079353</b>
Change in Net Assets	126291	842629	968920
Net Assets, beginning of year	<u>6485804</u>	<u>6207696</u>	<u>12693500</u>
<b>Net Assets, end of year</b>	<b>\$ 6612095</b>	<b>\$ 7050325</b>	<b>\$ 13662420</b>

### Governmental Activities

Property taxes and other tax revenues comprise \$ 777,703 or 23 percent of total governmental revenues.

# City of Iron River

106 West Genesee Street  
Iron River, Michigan 49935

John A. Archocosky  
City Manager  
[jarchocosky@ironriver.org](mailto:jarchocosky@ironriver.org)

Phone: 906.265.4719  
Fax: 906.265.5776  
Web Page: [www.ironriver.org](http://www.ironriver.org)

## **Governmental Activities (Continued)**

Operating grants and contributions for governmental activities ended the fiscal year at \$ 652,219, primarily attributable to the State of Michigan's Act 51 funding for major and local streets. At fiscal year end, the City reported \$ 454,265 in grants and contributions not restricted for specific programs. This amount was due entirely to the State of Michigan's state sales tax distribution.

The City expensed \$ 2,736,280 on governmental programs and services. The largest expense category was incurred for highways and streets, which totaled \$ 690,869, or 25 percent of total expenses. General governmental expenses were \$ 505,763 or 18 percent of the total, and public safety expenses were \$ 561,113, or 20 percent of the total. Public safety expenses were attributed to management's continuing commitment to preserve the lives and property of the residents of the City. Public works expenses were \$ 277,406, or 10 percent of the total.

## ***Component Units***

The component units of the City reported total net assets of \$ 168,807, all of which is unrestricted and available for future appropriation. The change in net assets for the City's component units at June 30 was an increase of \$ 46,738.

## **Business-type Activities**

Business-type activities decreased the City's net assets by \$ 25,803. Charges for services for the Water, Sewer, and RV Park activities for the year ended were \$ 850,555, \$ 784,124, and \$ 12,976, respectively.

Total expenses for the Water, Sewer, and RV Park activities for the year ended were \$ 922,111, \$ 778,333, and \$ 20,854, respectively.

# City of Iron River

106 West Genesee Street  
Iron River, Michigan 49935

John A. Archocosky  
City Manager  
[jarchocosky@ironriver.org](mailto:jarchocosky@ironriver.org)

Phone: 906.265.4719  
Fax: 906.265.5776  
Web Page: [www.ironriver.org](http://www.ironriver.org)

## **Business-type Activities (Continued)**

### **Sewer Fund**

On March 13, 2002, the **City of Iron River** and the State of Michigan Department of Environmental Quality entered into a special order of consent regarding the City's sanitation sewage collection system. Under the agreement, the City was to install a telemetered alarm at the Riverside Lift Station by November 01, 2002. On July 01, 2002, the City agreed to raise average residential sewer rates per household to generate a minimum of \$ 227,000 annually, to be set aside in an escrow account, established by the City for future improvements on the wastewater collection system. Approved expenses (requiring DEQ approval) can be paid from these funds. By July 31st of each year, the City is required to submit a report to the Marquette District Supervisor of the Surface Water Quality Division detailing the expenditures, income, and balances of this escrow account.

As of June 30, the City was in compliance with the consent order.

During the current fiscal year, the City continued with the management agreement with the Iron County Chamber of Commerce to take over the operations of the RV Park. It is expected that this will continue to result in considerable savings to the City.

### ***Financial Analysis of the Governmental Funds***

As previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance- related requirements.

# City of Iron River

106 West Genesee Street  
Iron River, Michigan 49935

John A. Archocosky  
City Manager  
[jarchocosky@ironriver.org](mailto:jarchocosky@ironriver.org)

Phone: 906.265.4719  
Fax: 906.265.5776  
Web Page: [www.ironriver.org](http://www.ironriver.org)

## Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able resources. This information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City's governmental funds reported combined ending fund balances of \$ 1,158,076, of which \$ 487,238 is reserved and the remaining \$ 670,838 is available for spending at the government's discretion.

The City's primary governmental fund is its general fund. There are no reservations in the general fund's fund balance.

On the budgetary basis of accounting, the City ended the fiscal year with revenues higher than the original and final projections. Total expenditures were less than the original and the final projections. At fiscal year end, the fund balance was higher than either the original or the final amended budget projections.

Revenues for the Major Street Fund were lower than the original, but higher than the final, budgetary allowances. Expenditures were lower than both the original and final budgetary projections.

## Revenues – Actual vs Budget

	<b>Revenues Original Budget</b>	<b>Revenues Final Budget</b>	<b>Revenues Final Actual</b>	<b>Revenues Variance Actual vs Original Budget</b>	<b>Revenues Variance Actual vs Final Budget</b>
<b>General Fund</b>	\$ 1755367	\$ 1976188	\$ 1986645	\$ 231278	\$ 10457
<b>Major Street Fund</b>	512577	371845	404633	(107944)	32788

# City of Iron River

106 West Genesee Street  
Iron River, Michigan 49935

John A. Archocosky  
City Manager  
[jarchocosky@ironriver.org](mailto:jarchocosky@ironriver.org)

Phone: 906.265.4719  
Fax: 906.265.5776  
Web Page: [www.ironriver.org](http://www.ironriver.org)

## Governmental Funds (Continued)

### Expenditures – Actual vs Budget

	<b>Expenditures Original Budget</b>	<b>Expenditures Final Budget</b>	<b>Expenditures Final Actual</b>	<b>Expenditures Variance Actual vs Original Budget</b>	<b>Expenditures Variance Actual vs Final Budget</b>
<b>General Fund</b>	\$ 1880487	\$ 1991203	\$ 1876926	\$ 3561	\$ 114277
<b>Major Street Fund</b>	692577	446691	443439	249138	3252

General fund financial and budgetary highlights of the fiscal year include:

- \* Use of money and property exceeded final budgetary projections by \$ 8,382.
- \* Charges for services were down slightly from the final amended budget, coming in at \$ 199,233, which is very close to the final budgeted estimate of \$ 199,500.
- \* State of Michigan sales tax distribution of \$ 454,265 was less than anticipated in the final amended budget by \$ 11,581.
- \* Expenditures in total for the general fund were \$ 1,876,926, less than the final amended budget of \$ 1,991,203 by \$ 114,277 and less than the original budget of \$ 1,880,487 by \$ 3,561.

# City of Iron River

106 West Genesee Street  
Iron River, Michigan 49935

John A. Archocosky  
City Manager  
[jarchocosky@ironriver.org](mailto:jarchocosky@ironriver.org)

Phone: 906.265.4719  
Fax: 906.265.5776  
Web Page: [www.ironriver.org](http://www.ironriver.org)

## Governmental Funds (Continued)

Major Street Fund financial and budgetary highlights of the fiscal year include:

- \* State of Michigan Act 51 funding for major streets was slightly higher than the final budgeted amounts; as was the amount received from the State for trunk-line maintenance.
- \* Total expenditures were \$ 443,439, considerably lower than the original budget, and very close to the final budgeted amount of \$446,691.

## Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Water, Sewer, and RV Park funds at year-end were \$ 4,762,853, \$ 2,143,279, and \$118,390, respectively. The growth or change in net assets for the Water, Sewer, and RV Park funds were (\$55,986), \$25,750, and \$4,433, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

## *Capital Asset and Debt Administration*

### Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of June 30 is \$ 19,082,724. The investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment, and licensed vehicles.

Infrastructure assets represent \$ 20,010,459, or approximately 70 percent of the estimated original cost of total assets. Major and local street funds comprise \$ 5,499,636, or 29 percent of this infrastructure; the Water Fund's infrastructure is appraised at \$ 10,991,674, or 57 percent of the total; the Sewer Fund's infrastructure is \$ 2,664,718, or 14 percent of the total. Infrastructure attributed to the General Fund is less than one percent, recorded at just \$ 33,800.00. In addition, infrastructure improvements of \$738,572 have been currently reported in the Capital Projects fund.

# City of Iron River

106 West Genesee Street  
Iron River, Michigan 49935

John A. Archocosky  
City Manager  
[jarchocosky@ironriver.org](mailto:jarchocosky@ironriver.org)

Phone: 906.265.4719  
Fax: 906.265.5776  
Web Page: [www.ironriver.org](http://www.ironriver.org)

## *Capital Asset and Debt Administration (Continued)*

### **Capital Assets (Continued)**

Major accomplishments for the 2005-2006 fiscal year include:

- \* The establishment of a new call center in the City of Iron River, currently employing 94 people. MEDC provided the Iron County EDC with grants totaling \$595,000, while the owners invested over \$1.2 million to make the project a reality.
- \* Reconstruction of Lalley Road between US 2 and the Iron County Community Hospital.

### **Long-term debt**

As of June 30, the City (including the enterprise funds) had total bonded debt outstanding of \$ 6,978,000. Of this amount, \$ 275,000 comprises debt backed by the full faith and credit of the government. The remainder of the City's bonded debt represents bonds secured by specified revenue sources (i.e., revenue bonds).

# City of Iron River

106 West Genesee Street  
Iron River, Michigan 49935

John A. Archocosky  
City Manager  
[jarchocosky@ironriver.org](mailto:jarchocosky@ironriver.org)

Phone: 906.265.4719  
Fax: 906.265.5776  
Web Page: [www.ironriver.org](http://www.ironriver.org)

## Long-term debt (Continued)

State statutes limit the amount of general obligation debt a governmental entity may issue to ten percent of its total assessed valuation. The current debt limitation is significantly higher than the City's outstanding general obligation debt.

Currently, the bond program does not maintain underlying bond ratings.

## *Other Economic Factors and Next Year's Budget*

### Economic Factors

Despite the uncertain economic climate, the City's guiding principles for the upcoming fiscal year is to continue building and maintaining strong neighborhoods, provide good social and cultural conditions that support healthy families, remain a safe and clean city, and invest in opportunities that promote economic growth and financial capacity.

The City's fiscal year 2006-2007 general fund budget is \$ 2,031,834, representing a slight growth over the previous fiscal year.

The following areas highlight the City's priorities for the upcoming fiscal year:

- \* Façade rehabilitation project, funded by a \$400,000 matching grant from MEDC, will allow existing building owners to improve the exterior appearance and physical condition of their buildings.
- \* Razing the Cloverland Hotel in downtown Iron River, to be funded with a MEDC demolition grant of \$250,000.
- \* Major landscaping improvements throughout the City, including the areas near the time and temperature sign on Adams Street, improving the veterans' memorial site, installing new curb and sidewalks in both business districts, and improving the existing streetlights.



# City of Iron River

106 West Genesee Street  
Iron River, Michigan 49935

John A. Archocosky  
City Manager  
[jarchocosky@ironriver.org](mailto:jarchocosky@ironriver.org)

Phone: 906.265.4719  
Fax: 906.265.5776  
Web Page: [www.ironriver.org](http://www.ironriver.org)

## *Other Economic Factors and Next Year's Budget (Continued)*

### **Economic Factors (Continued)**

- \* Continue working with a developer to complete a market assessment survey to determine the need for housing in the area. The developer's proposal is to use the Central School for senior affordable housing.
- \* Road and sewer improvements to the former Mineral Hills area, funded by a low interest loan from USDA-Rural Development to cover the \$500,000 cost of improvements. The majority of the loan payback will come from existing water user rates.

### **Requests for information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

City Manager  
**City of Iron River**  
106 West Genesee Street  
Iron River, Michigan 49935

## **BASIC FINANCIAL STATEMENTS**

<b>CITY OF IRON RIVER</b>
---------------------------

**STATEMENT OF NET ASSETS**

*JUNE 30, 2006*

	<b>Primary Government</b>	
	<b>Governmental Activities</b>	<b>Business- type Activities</b>
<b><u>ASSETS</u></b>		
<b><u>Current Assets</u></b>		
Cash and Cash Equivalents (Note C )	\$ 960,478	\$ 228,158
Investment in Central School Project	-	-
Receivables		
Taxes	93,810	-
Accounts Receivable	87,718	184,152
Internal Balances	46,344	(46,344)
Due from External Parties	7,613	-
Due from Other Governmental Units	345,652	-
<b>Total Current Assets</b>	<b>1,541,615</b>	<b>365,966</b>
<b><u>Noncurrent Assets</u></b>		
Restricted Cash	-	844,328
Capital Assets, (Note H)	12,850,470	15,525,642
Less Accumulated Depreciation (Note H)	(6,295,207)	(2,998,181)
<b>Total Noncurrent Assets</b>	<b>6,555,263</b>	<b>13,371,789</b>
<b>TOTAL ASSETS</b>	<b>\$ 8,096,878</b>	<b>\$ 13,737,755</b>
<b><u>LIABILITIES</u></b>		
<b><u>Current Liabilities</u></b>		
Accounts Payable	346,833	-
Accrued Salaries and Benefits	36,706	10,233
Deferred Revenue	-	-
Compensated Absences, Due within one year	54,152	-
Bonds/Notes Payable, Due within one year (Note I)	54,854	101,000
<b>Total Current Liabilities</b>	<b>492,545</b>	<b>111,233</b>
<b><u>Noncurrent Liabilities</u></b>		
Bonds/Notes Payable (Note I )	380,663	6,602,000
Compensated Absences Payable	54,152	-
<b>Total Noncurrent Liabilities</b>	<b>434,815</b>	<b>6,602,000</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 927,360</b>	<b>\$ 6,713,233</b>
<b><u>NET ASSETS</u></b>		
Invested in Capital Assets, Net of Related Debt	6,119,746	5,824,461
Reserved for Streets and Highways	471,717	-
Reserved for Capital Projects	4,619	-
Reserved for Debt Service	10,902	-
Reserved for Water and Sewer Utility	-	1,200,061
Unreserved and Undesignated	562,534	-
<b>TOTAL NET ASSETS</b>	<b>\$ 7,169,518</b>	<b>\$ 7,024,522</b>

<b>CITY OF IRON RIVER</b> <b>STATEMENT OF NET ASSETS</b> <i>JUNE 30, 2006</i>
---

<u>Totals</u>	<u>Component Units</u>	<u>Reporting Entity Totals</u>
\$ 1,188,636	\$ 130,022	\$ 1,318,658
-	40,755	40,755
93,810	1,869	95,679
271,870	-	271,870
-	-	-
7,613	-	7,613
345,652	-	345,652
<hr/>	<hr/>	<hr/>
1,907,581	172,646	2,080,227
844,328	-	844,328
28,376,112	-	28,376,112
(9,293,388)	-	(9,293,388)
<hr/>	<hr/>	<hr/>
19,927,052	-	19,927,052
<b>\$ 21,834,633</b>	<b>\$ 172,646</b>	<b>\$ 22,007,279</b>
346,833	3,174	350,007
46,939	665	47,604
-	-	-
54,152	-	54,152
155,854	-	155,854
<hr/>	<hr/>	<hr/>
603,778	3,839	607,617
6,982,663	-	6,982,663
54,152	-	54,152
<hr/>	<hr/>	<hr/>
7,036,815	-	7,036,815
<b>\$ 7,640,593</b>	<b>\$ 3,839</b>	<b>\$ 7,644,432</b>
11,944,207	-	11,944,207
471,717	-	471,717
4,619	-	4,619
10,902	-	10,902
1,200,061	-	1,200,061
562,534	168,807	731,341
<hr/>	<hr/>	<hr/>
-	-	-
<b>\$ 14,194,040</b>	<b>\$ 168,807</b>	<b>\$ 14,362,847</b>
<hr/>	<hr/>	<hr/>

The notes to the financial statements are an integral part of this report.

# CITY OF IRON RIVER

## STATEMENT OF ACTIVITIES FISCAL YEAR ENDED JUNE 30, 2006

		Program Revenues		
		Charges for Services	Operating Grants & Contributions	Capital Grants
FUNCTIONS-PROGRAMS				
Primary Government -				
General government	\$ 505,763	\$ 29,395	\$ -	\$ -
Legislative	8,073			
Public safety	561,113	10,887	6,601	
Public works	277,406	266,744		
Highways and streets	690,869	3,075	513,089	
Sanitation and health	130,972	198,383		738,572
Culture and recreation	87,083	14,990	132,529	
Community development	16,594			
Interest on Long-Term Debt	31,676			
Other Costs	-			
Intragovernmental (T&A)	12,000			
Depreciation (Unallocated)	414,731			
Total Governmental Activities	\$ 2,736,280	\$ 523,474	\$ 652,219	\$ 738,572
<u>Business-type Activities</u>				
Water	922,111	850,555	-	-
Sewer	778,333	784,124	-	-
RV Park	20,854	12,976	-	-
Total Business-type Activities	1,721,298	1,647,655	-	-
Total Primary Government	4,457,578	2,171,129	652,219	
Component Units				
DDA	22,227	-	-	-
TIF	106,439	3,581	-	
Community Pride	195	-	100	
Total Component Units	128,861	-	100	

### General Revenues:

#### Taxes:

Property taxes levied for general operations  
Property taxes levied for DDA and TIF  
Other  
State Sales Tax Distribution  
Interest and Investment Earnings  
Intragovernmental  
Other

### Total General Revenues

### Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

**CITY OF IRON RIVER**

**STATEMENT OF ACTIVITIES**  
*FISCAL YEAR ENDED JUNE 30, 2006*

***Net (Expense) Revenue and Changes  
in Net Assets***

<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Total</u></b>	<b><u>Component Units</u></b>
\$ (476,368)	\$ -	\$ (476,368)	\$ -
(8,073)		(8,073)	
(543,625)		(543,625)	
(10,662)		(10,662)	
(174,705)		(174,705)	
805,983		805,983	
60,436		60,436	
(16,594)		(16,594)	
(31,676)		(31,676)	
-		-	-
(12,000)		(12,000)	
(414,731)		(414,731)	
<b>\$ (822,015)</b>	<b>\$ -</b>	<b>\$ (822,015)</b>	<b>\$ -</b>
-	(71,556)	(71,556)	-
	5,791	5,791	
	(7,878)	(7,878)	
	<b>(73,643)</b>	<b>(73,643)</b>	<b>-</b>
<b>(822,015)</b>	<b>(73,643)</b>	<b>(895,658)</b>	<b>-</b>
			(22,227)
			(102,858)
			(95)
<b>-</b>	<b>-</b>	<b>-</b>	<b>(125,180)</b>
777,703	-	777,703	
		-	166,011
36,560		36,560	
454,265		454,265	
43,567	35,840	79,407	5,907
7,513	12,000		
59,830		59,830	
<b>1,379,438</b>	<b>47,840</b>	<b>1,427,278</b>	<b>171,918</b>
<b>557,423</b>	<b>(25,803)</b>	<b>531,620</b>	<b>46,738</b>
<b>6,612,095</b>	<b>7,050,325</b>	<b>13,662,420</b>	<b>122,069</b>
<b>\$ 7,169,518</b>	<b>\$ 7,024,522</b>	<b>\$ 14,194,040</b>	<b>\$ 168,807</b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

## BALANCE SHEET - GOVERNMENTAL FUNDS

*JUNE 30, 2006*

	<b>General Fund</b>	<b>Major Street Fund</b>
<b><u>ASSETS</u></b>		
Cash and Investments (Note C )	\$ 504,391	\$ 257,819
Receivables:		
Taxes	93,810	-
Accounts Receivable	50,823	30,014
Due from Other Funds	53,957	-
Due from Other Governmental Units	-	-
<b>Total Assets</b>	<b><u>\$ 702,981</u></b>	<b><u>\$ 287,833</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>		
<b><u>Liabilities</u></b>		
Accounts Payable	1,181	-
Accrued Salaries and Benefits	30,962	3,763
Due to Other Funds	-	-
Deferred Revenue (Note A )	-	-
<b>Total Liabilities</b>	<b>32,143</b>	<b>3,763</b>
<b><u>Fund Balances</u></b>		
Reserved for Streets & Highways	-	284,070
Reserved for Capital Projects	-	-
Reserved for Debt Service	-	-
Unreserved and undesignated	670,838	-
<b>Total Fund Balances</b>	<b>670,838</b>	<b>284,070</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 702,981</u></b>	<b><u>\$ 287,833</u></b>

<b>CITY OF IRON RIVER</b>
---------------------------

**BALANCE SHEET - GOVERNMENTAL FUNDS**

*JUNE 30, 2006*

<b>Capital Projects Lalley Road Sewer Improvements</b>	<b>Other Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 198,268	\$ 960,478
-	-	93,810
-	6,881	87,718
-	-	53,957
345,652	-	345,652
<b>\$ 345,652</b>	<b>\$ 205,149</b>	<b>\$ 1,541,615</b>
345,652	-	346,833
-	1,981	36,706
-	-	-
-	-	-
<b>345,652</b>	<b>1,981</b>	<b>383,539</b>
-	187,647	471,717
-	4,619	4,619
-	10,902	10,902
-	-	670,838
-	203,168	1,158,076
<b>\$ 345,652</b>	<b>\$ 205,149</b>	<b>\$ 1,541,615</b>

The notes to the financial statements are an integral part of this report.



<b>CITY OF IRON RIVER</b>
---------------------------

**GOVERNMENTAL FUNDS**

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS**

*JUNE 30, 2006*

<b>Fund Balances - Total Governmental Funds</b>	<b>\$ 1,158,076</b>
---	---------------------

Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital assets used in governmental activities  
are not financial resources and are not  
reported in the funds.

The cost of capital assets is:	12,850,470
Accumulated depreciation is:	(6,295,207)

Long term liabilities are not due and payable  
in the current period and are not reported  
in the funds:

Bonds Payable	(435,517)
Compensated Absences	(108,304)

Other long term assets not available to pay  
current period expenditures therefore  
deferred in the funds

-

Accrued interest is not included as a liability  
in governmental funds

-

<b>Total Net Assets - Governmental Activities</b>	<b><u><u>\$ 7,169,518</u></u></b>
---	-----------------------------------

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES**

*YEAR ENDED JUNE 30, 2006*

	<u>General Fund</u>	<u>Major Street Fund</u>
<b><u>REVENUE</u></b>		
General Property taxes	\$ 777,703	\$ -
Other local taxes	9,675	
Penalties and interest on taxes	26,885	
Licenses, permits, and fines	10,887	
Sale of property	31,753	
Use of money and property	272,153	16,496
Charges for services	199,233	
Miscellaneous	65,823	
Recovered Costs	22,513	14,868
Intergovernmental	570,020	373,269
	<hr/>	<hr/>
<b>TOTAL REVENUE</b>	<b>\$ 1,986,645</b>	<b>\$ 404,633</b>
<b><u>EXPENDITURES</u></b>		
Current Operating:		
General government	491,838	-
Legislative	8,073	
Public safety	545,664	-
Public works	269,769	
Highways and streets	103,498	361,379
Sanitation and health	130,972	
Culture and recreation	87,083	-
Community development	16,594	
Debt Service		
Principal	-	-
Interest and Fees		
Capital Outlay	223,435	82,060
Other Costs		
	<hr/>	<hr/>
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,876,926</b>	<b>\$ 443,439</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 109,719</b>	<b>\$ (38,806)</b>
<b><u>Other Financing Sources (Uses)</u></b>		
Operating transfers in	7,513	-
Operating transfers out	(79,568)	(65,000)
<b>Total Other Financing Sources(Uses)</b>	<hr/> (72,055)	<hr/> (65,000)
<b>Net Change in Fund Balances</b>	37,664	(103,806)
<b>FUND BALANCES-BEGINNING OF YEAR</b>	<hr/> 633,174	<hr/> 387,876
<b>FUND BALANCES-END OF YEAR</b>	<hr/> <b>\$ 670,838</b>	<hr/> <b>\$ 284,070</b>

<b>CITY OF IRON RIVER</b>
---------------------------

**GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES**

*YEAR ENDED JUNE 30, 2006*

<b>Capital Projects Lalley Road Sewer Improvements</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 777,703
		9,675
-	-	26,885
		10,887
-	-	31,753
	53,404	342,053
-	-	199,233
		65,823
		37,381
<u>738,572</u>	<u>102,936</u>	<u>1,784,797</u>
<b>\$ 738,572</b>	<b>\$ 156,340</b>	<b>\$ 3,286,190</b>
-	-	491,838
		8,073
-	-	545,664
		269,769
-	206,971	671,848
		130,972
-	-	87,083
		16,594
-	81,332	81,332
	31,676	31,676
<u>738,572</u>		<u>1,044,067</u>
		-
<b>\$ 738,572</b>	<b>\$ 319,979</b>	<b>\$ 3,378,916</b>
\$ -	\$ (163,639)	\$ (92,726)
-	132,568	140,081
<u>-</u>	<u>-</u>	<u>(144,568)</u>
-	132,568	(4,487)
-	(31,071)	(97,213)
<u>-</u>	<u>234,239</u>	<u>1,255,289</u>
<b>\$ -</b>	<b>\$ 203,168</b>	<b>\$ 1,158,076</b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**GOVERNMENTAL FUNDS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

*YEAR ENDED JUNE 30, 2006*

**Net Change in Fund Balances - Total Governmental Funds** **\$ (97,213)**

Amounts reported for governmental activities in the statement  
of activities are different because:

Governmental funds report capital outlays as expenditures; in  
the statement of activities, these costs are allocated over their  
estimated useful lives as depreciation.

Depreciation Expense	(414,731)
Capital Outlay	1,044,067

Revenue reported in the statement of activities that does not provide  
current financial resources and are not reported as revenue  
in the governmental funds

Accrued interest is recorded in the statement of activities when  
incurred; it is not reported in governmental funds until paid

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long term debt)	81,332
---	--------

(Increases)Decreases in compensated absences are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6	(56,032)
--	----------

Sale of assets is recorded in the governmental funds as revenue; only the gain is reported in the statement of activities	-
--	---

**Change in Net Assets of Governmental Activities** **\$ 557,423**

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**ENTERPRISE FUNDS - STATEMENT OF FUND NET ASSETS**

*JUNE 30, 2006*

	<u>WATER FUND</u>	<u>SEWER FUND</u>
<b><u>ASSETS</u></b>		
<b><i>Current Assets</i></b>		
Cash, unrestricted	\$ 101,150	\$ 115,099
Accounts Receivable	93,330	90,822
Due from other governmental units	-	-
Due from other funds	<u>113,000</u>	<u>-</u>
<b>Total Current Assets</b>	307,480	205,921
<b><i>Noncurrent Assets</i></b>		
Restricted cash	405,442	438,886
Capital assets:		
Land and Buildings	679,027	2,000
Equipment	986,851	-
Infrastructure	10,991,674	2,664,718
Less:		
Allowance for depreciation	<u>(1,851,186)</u>	<u>(1,052,406)</u>
Total capital assets, net	10,806,366	1,614,312
<b>Total Noncurrent Assets</b>	11,211,808	2,053,198
<b>TOTAL ASSETS</b>	<b>\$ 11,519,288</b>	<b>\$ 2,259,119</b>
<b><u>LIABILITIES</u></b>		
<b><i>Current Liabilities</i></b>		
Accounts payable	-	-
Accrued benefits	7,091	2,840
Due to other funds	46,344	113,000
Current portion of long-term debt	101,000	-
Deferred revenues	<u>-</u>	<u>-</u>
<b>Total Current Liabilities</b>	154,435	115,840
<b><i>Non-current Liabilities</i></b>		
Revenue bonds payable	<u>6,602,000</u>	<u>-</u>
<b>Total Non-current Liabilities</b>	6,602,000	-
<b>TOTAL LIABILITIES</b>	<b>6,756,435</b>	<b>115,840</b>
<b><u>NET ASSETS</u></b>		
Invested in capital assets, net of related debt	4,103,366	1,614,312
Reserved	659,487	528,967
Unreserved, undesignated	<u>-</u>	<u>-</u>
<b>TOTAL NET ASSETS</b>	<b>\$ 4,762,853</b>	<b>\$ 2,143,279</b>

<b>CITY OF IRON RIVER</b>
---------------------------

**ENTERPRISE FUNDS - STATEMENT OF FUND NET ASSETS**

*JUNE 30, 2006*

<u>RV PARK FUND</u>	<u>ENTERPRISE FUNDS</u>
\$ 11,909	\$ 228,158
	184,152
	-
<u>-</u>	<u>113,000</u>
11,909	525,310
-	844,328
201,372	882,399
-	986,851
-	13,656,392
<u>(94,589)</u>	<u>(2,998,181)</u>
106,783	12,527,461
106,783	13,371,789
<b>\$ 118,692</b>	<b>\$ 13,897,099</b>
-	-
302	10,233
-	159,344
-	101,000
<u>-</u>	<u>-</u>
302	270,577
<u>-</u>	<u>6,602,000</u>
-	6,602,000
<b>302</b>	<b>6,872,577</b>
106,783	5,824,461
11,607	1,200,061
<u>-</u>	<u>-</u>
<b>\$ 118,390</b>	<b>\$ 7,024,522</b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**ENTERPRISE FUNDS - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND  
NET ASSETS**

*YEAR ENDED JUNE 30, 2006*

	<u>WATER FUND</u>	<u>SEWER FUND</u>
<b>OPERATING REVENUES</b>		
Charges for Services	\$ 733,753	\$ 750,882
Equipment Rental	90,438	-
Miscellaneous	26,364	33,242
	<u>          </u>	<u>          </u>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 850,555</b>	<b>\$ 784,124</b>
 <b>OPERATING EXPENSES</b>		
Personal Services and Benefits	284,194	133,475
Contractual Services	7,013	544,664
Repairs and Maintenance	2,996	5,340
Other Supplies and Expenses	124,662	38,604
Depreciation	254,781	40,995
Miscellaneous	1,633	15,255
	<u>          </u>	<u>          </u>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 675,279</b>	<b>\$ 778,333</b>
 <b>Operating Income (Loss)</b>	<b>175,276</b>	<b>5,791</b>
 <b>Non-Operating Revenues (Expenses:)</b>		
Operating Transfers in (out)	-	-
Interest Revenue	15,570	19,959
Interest Expense	(246,832)	-
	<u>          </u>	<u>          </u>
 <b>Total Non-Operating Revenues (Expenses)</b>	<b>(231,262)</b>	<b>19,959</b>
 <b>Change in Net Assets</b>	<b>(55,986)</b>	<b>25,750</b>
 <b>NET ASSETS-BEGINNING OF YEAR</b>	<u>4,818,839</u>	<u>2,117,529</u>
 <b>NET ASSETS-END OF YEAR</b>	<u><u>\$ 4,762,853</u></u>	<u><u>\$ 2,143,279</u></u>

<b>CITY OF IRON RIVER</b>
---------------------------

**ENTERPRISE FUNDS - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND  
NET ASSETS**

*FISCAL YEAR ENDED JUNE 30, 2006*

<u>RV PARK FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>
\$ 2,500	\$ 1,487,135
-	90,438
<u>10,476</u>	<u>70,082</u>
<b>\$ 12,976</b>	<b>\$ 1,647,655</b>
812	418,481
-	551,677
224	8,560
12,679	175,945
7,139	302,915
<u>-</u>	<u>16,888</u>
<b>\$ 20,854</b>	<b>\$ 1,474,466</b>
<b>(7,878)</b>	<b>173,189</b>
12,000	12,000
311	35,840
<u>-</u>	<u>(246,832)</u>
12,311	(198,992)
<b>4,433</b>	<b>(25,803)</b>
<u>113,957</u>	<u>7,050,325</u>
<b><u>\$ 118,390</u></b>	<b><u>\$ 7,024,522</u></b>

The notes to the financial statements are an integral part of this report.



<b>CITY OF IRON RIVER</b>
---------------------------

**ENTERPRISE FUNDS - COMBINING STATEMENT OF CASH FLOWS**

*FISCAL YEAR ENDED JUNE 30, 2006*

	<u>Water Fund</u>	<u>Sewer Fund</u>
<b>CASH FLOWS FROM (USED BY)</b>		
<b><u>OPERATING ACTIVITIES</u></b>		
Net cash received from fees and services	\$ 807,470	\$ 778,690
Other operating revenues	123,855	6,852
Cash payments to employees for services	(283,261)	(133,042)
Cash payments to goods and services	(243,105)	(604,793)
Other operating expenses	-	-
	<hr/>	<hr/>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 404,959</b>	<b>\$ 47,707</b>
<b><u>NON CAPITAL AND FINANCING ACTIVITIES</u></b>		
Increase (decrease) in due to other funds	(100,331)	(23,689)
(Increase) decrease in due from other funds	40,331	-
Net operating transfers in (out)	-	-
	<hr/>	<hr/>
<b>NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES</b>	<b>(60,000)</b>	<b>(23,689)</b>
<b><u>CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>		
Acquisition and construction of capital assets	(1,440)	-
Principal payment on long-term bonds	(98,000)	-
Interest paid on long-term bonds	(246,832)	-
Interest and tax expense	-	-
Proceeds from borrowings	-	-
Cost of Issuance - Bonds	-	-
Contributed capital grants	-	-
Other Grants	-	-
	<hr/>	<hr/>
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(346,272)</b>	<b>-</b>
<b><u>INVESTING ACTIVITIES</u></b>		
Interest Income	15,570	19,959
	<hr/>	<hr/>
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>15,570</b>	<b>19,959</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>14,257</b>	<b>43,977</b>
 Cash and Cash Equivalents, Beginning of Year	 <hr/> 492,335	 <hr/> 510,008
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 506,592</b>	<b>\$ 553,985</b>

<b>CITY OF IRON RIVER</b>
---------------------------

**ENTERPRISE FUNDS - COMBINING STATEMENT OF CASH FLOWS**

*FISCAL YEAR ENDED JUNE 30, 2006*

<u>RV Park Fund</u>	<u>Totals</u>
\$ 2,500	\$ 1,588,660
10,476	141,183
(384)	(416,687)
(13,329)	(861,227)
<u>-</u>	<u>-</u>
<b>\$ (737)</b>	<b>\$ 451,929</b>
-	(124,020)
-	40,331
<u>12,000</u>	<u>-</u>
<b>12,000</b>	<b>(71,689)</b>
-	(1,440)
-	(98,000)
-	(246,832)
-	-
-	-
-	-
-	-
<u>-</u>	<u>-</u>
-	<b>(346,272)</b>
<u>311</u>	<u>35,840</u>
<b>311</b>	<b>35,840</b>
11,574	69,808
<u>335</u>	<u>1,002,678</u>
<b>\$ 11,909</b>	<b>\$ 1,072,486</b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**ENTERPRISE FUNDS - COMBINING STATEMENT OF CASH FLOWS  
(CONTINUED)**

*FISCAL YEAR ENDED JUNE 30, 2006*

**CASH FLOWS FROM OPERATING ACTIVITIES**

Operating Income	\$ 175,276	\$ 5,791
Adjustment to reconcile operating income to net cash provided by operating activities :		
. Depreciation	254,781	40,995
. Provision for uncollectible accounts		
. Changes in assets and liabilities :		
(Increase) Decrease in accounts receivable	80,770	1,418
Increase (Decrease) in accounts payable	(106,801)	(930)
Increase (Decrease) in accrued benefits	933	433
Increase (Decrease) in customer deposits	-	-
	-	-
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 404,959</b>	<b>\$ 47,707</b>

<b>CITY OF IRON RIVER</b>
---------------------------

**ENTERPRISE FUNDS - COMBINING STATEMENT OF CASH FLOWS  
(CONTINUED)**

*FISCAL YEAR ENDED JUNE 30, 2006*

\$	(7,878)	\$	173,189
	7,139		302,915
			-
	-		82,188
	-		(107,731)
	2		1,368
	-		-
<b>\$</b>	<b>(737)</b>	<b>\$</b>	<b>451,929</b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**FIDUCIARY FUND**

**STATEMENT OF FIDUCIARY NET ASSETS**

*JUNE 30, 2006*

	<u>PRIVATE-PURPOSE TRUST FUND</u>	<u>AGENCY FUNDS</u>	<u>TOTAL</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 27,913	\$ 355	\$ 28,268
Due From Other Funds	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b>\$ 27,913</b>	<b>\$ 355</b>	<b>\$ 28,268</b>
 <b><u>LIABILITIES</u></b>			
Due To Other Funds	7,614	-	7,614
Accrued Benefits	<u>4,112</u>	<u>355</u>	<u>4,467</u>
<b>TOTAL LIABILITIES</b>	<b>\$ 11,726</b>	<b>\$ 355</b>	<b>\$ 12,081</b>
 <b><u>NET ASSETS</u></b>			
Restricted for Employee Benefits	16,187	-	16,187
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL NET ASSETS</b>	<b>\$ 16,187</b>	<b>\$ -</b>	<b>\$ 16,187</b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

*FISCAL YEAR ENDED JUNE 30, 2006*

	<b>PRIVATE-PURPOSE TRUST FUND</b>
<b><u>ADDITIONS</u></b>	
Contributions from the City of Iron River	
Investment Earnings	\$ 450
<b>TOTAL ASSETS</b>	<b>\$ 450</b>
 <b><u>DEDUCTIONS</u></b>	
Refund overpayment of City contributions	\$ 7,514
Employee Sick Leave Benefits Paid	29,014
<b>TOTAL DEDUCTIONS</b>	<b>\$ 36,528</b>
 <b>CHANGE IN NET ASSETS</b>	 <b>(36,078)</b>
 <b>NET ASSETS - BEGINNING OF YEAR</b>	 52,265
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 16,187</b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**STATEMENT OF NET ASSETS – COMPONENT UNITS**

*JUNE 30, 2006*

	<u>DDA</u>	<u>TIF</u>	<u>Community Pride</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
<b><i>Current Assets</i></b>				
Cash and Cash Equivalents	\$ 9,430	\$ 120,592	\$ -	\$ 130,022
Investment in Central School Project	-	40,755	-	40,755
Receivables:				
Accounts	-	-	-	-
Taxes	<u>1,869</u>	<u>-</u>	<u>-</u>	<u>1,869</u>
<b>Total Current Assets</b>	11,299	161,347	-	172,646
<b><i>Noncurrent Assets</i></b>				
Capital assets	-	-	-	-
Less:				
Accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Noncurrent Assets</b>	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 11,299</b>	<b>\$ 161,347</b>	<b>\$ -</b>	<b>\$ 172,646</b>
<b><u>LIABILITIES</u></b>				
<b><i>Current Liabilities</i></b>				
Accounts Payable	759	2,415	-	3,174
Accrued Employee Benefits	<u>-</u>	<u>665</u>	<u>-</u>	<u>665</u>
<b>Total Current Liabilities</b>	759	3,080	-	3,839
<b>TOTAL LIABILITIES</b>	<b>759</b>	<b>3,080</b>	<b>-</b>	<b>3,839</b>
<b><u>NET ASSETS</u></b>				
Unreserved and Undesignated	<u>10,540</u>	<u>158,267</u>	<u>-</u>	<u>168,807</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 10,540</u></b>	<b><u>\$ 158,267</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 168,807</u></b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**STATEMENT OF ACTIVITIES – COMPONENT UNITS**

*FISCAL YEAR ENDED JUNE 30, 2006*

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants/ Contributions</u>
	<hr/>	<hr/>	<hr/>
Downtown Development Authority	\$ 22,227	\$ -	\$ -
Tax Increment Financing Authority	106,439	3,581	-
Community Pride	<hr/> 195	<hr/>	<hr/> 100
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 128,666</b>	<b>\$ 3,581</b>	<b>\$ -</b>

***General Revenues:***

Property taxes

Interest and Investment earnings

Miscellaneous

*Total General Revenues*

***Change in Net Assets***

**Net Assets-Beginning of Year**

**Net Assets-End of Year**



<b>CITY OF IRON RIVER</b>
---------------------------

**STATEMENT OF ACTIVITIES – COMPONENT UNITS**

*FISCAL YEAR ENDED JUNE 30, 2006*

<b>Net (Expense) Revenue and Changes in Net Assets</b>		<b>Community Pride</b>	
<b>DDA</b>	<b>TIF</b>		<b>Totals</b>
\$ (22,227)	\$ -	\$ -	\$ (22,227)
	(102,858)		(102,858)
<u>-</u>	<u>-</u>	<u>(95)</u>	<u>(95)</u>
\$ (22,227)	\$ (102,858)	\$ (95)	\$ (125,180)
18,739	147,272	-	166,011
614	5,293		5,907
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
19,353	152,565	-	171,918
(2,874)	49,707	(95)	46,738
<u>13,414</u>	<u>108,560</u>	<u>95</u>	<u>122,069</u>
<b><u>\$ 10,540</u></b>	<b><u>\$ 158,267</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 168,807</u></b>

The notes to the financial statements are an integral part of this report.

## **NOTES TO THE FINANCIAL STATEMENTS**

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting methods and procedures adopted by the **City of Iron River**, Iron River, Michigan, conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies:

**THE FINANCIAL REPORTING ENTITY**

The **City of Iron River** was organized and began operations on July 01, 2000 as a result of the consolidation of three municipalities - the Cities of Iron River and Stambaugh and the Village of Mineral Hills. As a result of the consolidation, all assets, liabilities, and fund equities for all funds of the respective governmental units were combined to form the opening account balances of the new City. Any reservations or restrictions in the funds of the combining municipalities were also reserved or restricted in the new City of Iron River.

The **City of Iron River** covers an area of approximately 10.125 square miles, operates under a city manager and an elected board of five councilmen and provides services to its approximately 3,614 residents, including police and fire protection, parks and recreation, waste collection and general administrative services.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**THE FINANCIAL REPORTING ENTITY (Continued)**

In addition, the City owns and operates a water and sewer system and an RV Park as enterprise activities. In accordance with the provisions of GASB 14, certain other governmental organizations are considered to be part of the City entity for financial reporting purposes. The criteria established by GASB 14 for determining the various governmental organizations to be included in the reporting entity's financial statements include separation of electing governing body and legal status, and fiscal independence. On this basis, the financial statements of the Tax Incremental Financing Authority, the Downtown Development Authority, and Community Pride are included in the financial statements of the City as discretely presented component units.

**Downtown Development Authority/Tax Increment Financing Authority**

On November 21, 1979, the City Commission of the **City of Iron River** adopted an ordinance to establish the downtown development authority and to designate the boundaries of the downtown district.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**THE FINANCIAL REPORTING ENTITY (Continued)**

**Downtown Development Authority/Tax Increment  
Financing Authority (Continued)**

The Downtown Development Authority Development Plan and Tax Increment Financing Plan were prepared pursuant to the provisions of Act No. 197 of the Michigan Public Acts of 1975, as amended, MCLA § 125.1651 et. seq. (the "Act").

The Act was enacted to provide a means for local units of government to correct and prevent deterioration in business districts; to encourage historic preservation; to authorize the acquisition and disposal of interests in real and personal property; to authorize the creation and implementation of development plans in the districts; to promote the economic growth of the districts; to create a board; to prescribe its powers and duties; to authorize the levy and collection of taxes; to authorize the issuance of bonds and other evidences of indebtedness; and to authorize the use of tax increment financing.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**THE FINANCIAL REPORTING ENTITY (Continued)**

**Downtown Development Authority/Tax Increment  
Financing Authority (Continued)**

Tax increment financing is a government financing program which contributes to economic growth and development to facilities, structures or improvements within a development area, thereby facilitating economic growth and development.

Tax increment financing mandates the transfer of tax increment revenues by municipal and county treasurers to authorities created under the Act in order to effectuate the legislative government programs to eliminate property value deterioration and to promote economic growth. (MCLA 125.1651a.)

The Act seeks to accomplish its goals by providing local units of government with the necessary legal, monetary and organizational tools to eliminate property value deterioration and to promote economic growth through publicly initiated projects undertaken cooperatively with privately initiated projects.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**THE FINANCIAL REPORTING ENTITY (Continued)**

**Downtown Development Authority/Tax Increment  
Financing Authority (Continued)**

The Development Plan and Tax Increment Financing Plan have been developed in accordance with the purposes of the Act based on the problems and priorities as perceived by the Downtown Development Authority of the **City of Iron River** and has been submitted to the City Commission of the **City of Iron River** for its approval.

**COMMUNITY PRIDE**

Community Pride was organized by community-minded volunteers to solicit donations from businesses and individuals in the community. Proceeds are used to beautify the City's downtown area with placement of barrels of flowers throughout the City's downtown district.

**BLENDED COMPONENT UNITS**

A blended component unit is a legally separate entity from the local unit, but it is so intertwined with the unit that it is, in substance, the same as the local governmental unit.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**THE FINANCIAL REPORTING ENTITY (Continued)**

**BLENDED COMPONENT UNITS (Continued)**

A basic strategy of GASB 14 is to present financial information for component units separately from the financial information for the primary government. This is achieved through the discrete presentation method.

However, in the case of blended component units, GASB believes that it would be more appropriate to use the blending method to incorporate the financial information of a component unit into the reporting entity's financial statements. When the blending method is used, transactions and balances of a component unit are merged with similar transactions and balances of the primary government so that there is no way to identify which balances relate to the component unit and which relate to the primary government.

The **City of Iron River** and the **City of Stambaugh Building Authorities** are blended as part of the primary government because their sole purpose is to finance and construct the City's public buildings.



<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**THE FINANCIAL REPORTING ENTITY (Continued)**

**BLENDED COMPONENT UNITS (Continued)**

**City of Iron River Building Authority (Continued)**

The City of Iron River Building Authority was created by the City and organized as a separate legal entity.

The Articles of Incorporation were adopted by the City Commission of the **City of Iron River** on November 9, 1993 for the purpose of forming a non-profit municipal Building Authority under the provisions of Act 31, Public Acts of Michigan, 1948.

The Authority was incorporated for the purpose of acquiring, furnishing, equipping, owning, improving, enlarging, operating, and maintaining a building or buildings, automobile parking lots or structures, recreational facilities, and the necessary site or sites therefore, together with appurtenant properties and facilities necessary or convenient for the effective use thereof, for use of any legitimate public purpose of the **City of Iron River**.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**THE FINANCIAL REPORTING ENTITY (Continued)**

**BLENDED COMPONENT UNITS (Continued)**

**City of Iron River Building Authority (Continued)**

The Authority is governed by a Board of Commissioners, each to be elected by the City Commission of the **City of Iron River**, except that no member of the legislative body of the **City of Iron River** shall be eligible for membership or appointment to this Authority.

The Authority approved a resolution on October 11, 1995 to issue bonds in the aggregate principal sum of \$ 320,000 in anticipation of the commitments of the City under the Contract to finance the renovation in the City Hall to comply with the Americans with Disabilities Act, all as set out in a certain Full Faith and Credit General Obligation Contract of Lease between the City and the Authority.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**THE FINANCIAL REPORTING ENTITY (Continued)**

**BLENDED COMPONENT UNITS (Continued)**

**City of Iron River Building Authority (Continued)**

The 1995 Building Authority Bond consists of one single fully registered non-convertible bond of the denomination of \$320,000, payable in principal installments on November 01 of each year.

The serial principal installments bear interest at the rate of not to exceed 5.125% per annum, payable on the first day of May and November of each year. The first principal installment of \$ 5000, along with accrued interest, was due on November 01, 1996.

**City of Stambaugh Building Authority**

The Stambaugh Building Authority was created by the former City of Stambaugh and organized as a separate legal entity.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**THE FINANCIAL REPORTING ENTITY (Continued)**

**BLENDED COMPONENT UNITS (Continued)**

**City of Stambaugh Building Authority (Continued)**

The Articles of Incorporation were adopted by the City Commission of the former City of Stambaugh on April 07, 1993 for the purpose of forming a non-profit municipal building authority under the provisions of Act 31, Public Acts of Michigan, 1948.

The Authority was incorporated for the purpose of acquiring, furnishing, equipping, owning, improving, enlarging, operating, and maintaining a building or buildings, automobile parking lots or structures for use of any legitimate public purpose of the City.

The Authority is governed by a Board of three members elected by the City Commission, except that no member of the legislative body of the City shall be eligible for membership or appointment to this Authority.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**THE FINANCIAL REPORTING ENTITY (Continued)**

**BLENDED COMPONENT UNITS (Continued)**

**City of Stambaugh Building Authority (Continued)**

The Authority entered into an agreement through Michigan Municipal Bond Authority's State Revenue Sharing Pledge Program to borrow \$ 205,000. The Authority used the proceeds from general obligation limited tax bonds to finance the construction of a Department of Public Works facility for the City. The bonds are secured by a lease agreement with the City and will be retired through lease payments from the City.

**JOINT VENTURES**

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**THE FINANCIAL REPORTING ENTITY (Continued)**

**JOINT VENTURES (Continued)**

An ongoing financial responsibility is determined as a participating government's obligation in some manner for debts or the joint venture's existence depends on continued funding by the participating government.

**West Iron County Sewer Authority**

The **City of Iron River** has entered into an agreement with several governmental entities to form the West Iron County Sewer Authority.

The Authority was established in August 1972 under the provisions of Act 233, Public Acts of Michigan, 1955, as amended, and was organized to provide sewer service to the cities of Iron River, Caspian, Gaastra, and a portion of Iron River Township. The first grant applications were filed in 1982.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**THE FINANCIAL REPORTING ENTITY (Continued)**

**JOINT VENTURES (Continued)**

**West Iron County Sewer Authority (Continued)**

Members from each participating municipality are appointed by their respective governmental entities to serve on the Board of Trustees of the West Iron County Sewer Authority.

Pursuant to the terms of the Authority's Sewer Use Ordinance adopted by the Authority and each Constituent Municipality, the Authority bills each Constituent Municipality monthly based on such Constituent Municipality's percentage of Equal Dwelling Units ("EDUs") to the total member of EDUs for the entire system.

Billing to end users is done by each Constituent Municipality using its own billing system and methodology.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**THE FINANCIAL REPORTING ENTITY (Continued)**

**JOINT VENTURES (Continued)**

**West Iron County Sewer Authority (Continued)**

Under the EDU system, the Authority adopts a preliminary budget in April of each year for its next fiscal year beginning the following July 01.

This preliminary budget is presented to each Constituent Municipality for review and consideration in its budgeting process. Prior to adopting its final budget in June of each year for the fiscal year beginning the following July 1, the Authority holds a public hearing with respect to the preliminary budget.

The preliminary and final budgets calculated EDU charges to cover both operation, maintenance and replacement ("OMR") expenses and debt retirement expenses.



<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**THE FINANCIAL REPORTING ENTITY (Continued)**

**JOINT VENTURES (Continued)**

**West Iron County Sewer Authority (Continued)**

Included in OMR charges are funds for future replacements of all major plant equipment.

During the fiscal year ended June 30, 2006, the **City of Iron River** paid to the Authority fees totaling \$ 334,019 for OMR and debt retirement.

Financial statements for the West Iron County Sewer Authority can be requested by writing to:

<p>West Iron County Sewer Authority P.O. Box 246 Caspian, Michigan 49915</p>
--

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**THE FINANCIAL REPORTING ENTITY (Continued)**

**JOINTLY GOVERNED ORGANIZATIONS**

A jointly governed organization is a multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

**West Iron County Fire Board**

The West Iron County Fire Board was organized in 1987 and provides fire protection for Iron River, Bates and Stambaugh Townships, and the **City of Iron River**, Iron County, Michigan. The Board operates under an appointed Board of Commissioners (9 people) and provides fire protection services to more than 4500 residents.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**THE FINANCIAL REPORTING ENTITY (Continued)**

**JOINTLY GOVERNED ORGANIZATIONS  
(Continued)**

**West Iron County Fire Board (Continued)**

The Board is funded by assessments from the participating municipalities. Financial statements are available by writing to the West Iron County Fire Board at:

West Iron County Fire Board  
P.O. Box 203  
Iron River, Michigan 49935

**West Iron County Volunteer Fire Department**

The West Iron County Volunteer Fire Department was organized in 1987 and consists of volunteer fire fighters from the **City of Iron River** and the townships of Bates, Iron River, and Stambaugh. The purpose of the organization is to preserve and protect all life and property as declared by the West Iron County Fire Board.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**THE FINANCIAL REPORTING ENTITY (Continued)**

**JOINTLY GOVERNED ORGANIZATIONS  
(Continued)**

**West Iron County Volunteer Fire Department  
(Continued)**

The officers, elected by a plurality of votes of members present at the annual meeting consist of a Chief, Assistant Chief, First Captain, Second Captain, Training Officer, and Secretary/Treasurer.

Complete financial statements of the West Iron County Volunteer Fire Department can be obtained from:

<p>West Iron County Volunteer Fire Department 640 9th Street Iron River, Michigan 49935</p>
---

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**THE FINANCIAL REPORTING ENTITY (Continued)**

**RELATED ORGANIZATIONS**

A related organization is an organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relations) even though the primary government appoints a voting majority of the organization's governing board.

**Iron River Housing Commission**

The Iron River Housing Commission ("The Authority") is a non-profit corporation which was organized under the laws of the State of Michigan to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal Agencies.

The Mayor of Iron River appoints the five member Board of Commissioners for five year terms.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**THE FINANCIAL REPORTING ENTITY (Continued)**

**RELATED ORGANIZATIONS (Continued)**

**Iron River Housing Commission (Continued)**

The Board sets policy of the Authority and hires the Executive Director who hires and directs the Authority's staff.

The Authority is not a department of the **City of Iron River**. However, the Authority cooperates closely with the City in carrying out housing programs within the Iron River area.

The basis of the Authority's relationship with the City is a cooperative agreement, which calls for the City to provide support services (police, fire, etc.) to the Authority's developments. In exchange, the Authority makes voluntary payments in lieu of taxes (PILOT) to the **City of Iron River**.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**THE FINANCIAL REPORTING ENTITY (Continued)**

**RELATED ORGANIZATIONS (Continued)**

**Iron River Housing Commission (Continued)**

Financial statements can be obtained by writing to:

Iron River Housing Commission  
236 Third Avenue  
Iron River, Michigan 49935

**Stambaugh Housing Commission**

The Stambaugh Housing Commission was formed in 1968 under the criteria established for low income housing programs by the United States Department of Housing and Urban Development.

The Commission operates under a board of commissioners appointed by the City Council.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**THE FINANCIAL REPORTING ENTITY (Continued)**

**RELATED ORGANIZATIONS (Continued)**

**Stambaugh Housing Commission (Continued)**

Financial statements can be requested by writing to:

Stambaugh Housing Commission  
208 Jefferson Avenue  
Iron River, Michigan 49935

**BASIS OF PRESENTATION**

The City follows GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34 adds the following components to the financial statements:

***Management's Discussion and Analysis***

A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.



<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

***Government-wide financial statements***

These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Program Activities.

***Statement of Net Assets***

The Statement of Net Assets displays the financial position of the primary government (government and business-type activities) and its discretely presented component units.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

***Statement of Net Assets (Continued)***

Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government are broken down into three categories - 1) invested in capital assets, net of related debt; 2) reserved; and 3) unreserved.

***Statement of Program Activities***

The statement of activities reports expenses and revenues in a format that focuses on the cost of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

***Budgetary comparison schedules***

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The City and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

***Budgetary comparison schedules*(Continued)**

Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The discretely presented component units are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. Each discretely presented component unit has a June 30 fiscal year-end.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements.

The reporting model focus is on both the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)**

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Both governmental-wide and fund financial statement presentations provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information. The City generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)**

The City may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)**

The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The City does not allocate indirect expenses. The operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions column reflects capital-specific grants.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)**

In the fund financial statements, financial transactions and accounts of the City are organized in the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing sets of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted.



<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)**

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

The City's fiduciary funds are presented in the fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)**

The following is a brief description of the specific funds used by the City.

**GOVERNMENTAL FUNDS**

These funds are those through which most governmental functions typically are financed.

The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities, except those accounted for in the Proprietary Fund, are accounted for through the Governmental Funds. These funds are as follows:

**General Fund**

This fund is used for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENTAL FUNDS (Continued)**

**General Fund (Continued)**

Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues. The General Fund is always a major fund for reporting purposes.

**Special Revenue Funds**

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. The City's *Major & Local Street Funds* are *Special Revenue Funds*. The *Major Street Fund* is considered a major fund for reporting purposes.

**Debt Service Fund**

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENTAL FUNDS**

**Debt Service Fund (Continued)**

The *Iron River* and *Stambaugh Building Authorities* have been included as *Debt Service Fund* types. The governmental funds use the modified accrual basis of accounting.

**Capital Projects Fund**

These funds are used to account for the purchase and/or construction of capital facilities by a governmental unit which are not accounted for by Proprietary Funds, Special Assessment Funds or Trust Funds. The various resources of the governmental unit to be used in the projects, such as General Fund contributions, grants from other units of government and bond proceeds, flow into the Capital Project Fund. Expenditures incurred in the development of the facility are also recorded within the Capital Project Fund.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENTAL FUNDS**

**Capital Projucets Fund (Continued)**

During the fiscal year ended June 30, 2006, the City maintained two capital project funds. The *Barris Property/Skateboard Fund* is a non-major fund, while the *Lalley Road Sewer Improvement Fund* is reported as a major fund.

**PROPRIETARY FUNDS**

**Enterprise Funds**

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises----where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose. The *Water Fund*, *Sewer Fund*, and *RV Park Fund* are *Proprietary Funds*.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**FIDUCIARY FUNDS**

Trust and Agency Funds are used to account for assets held by the City in a trustee capacity for individuals, private organizations, other governmental units, and/or other funds.

The City's *Current Tax Collection Fund*, the *Sick Leave Fund*, the *Employee Trust Fund* and the *Health Reimbursement Fund* are *Fiduciary Funds*. Agency funds are custodial in nature and do not involve measurement of results of operations. Accounting for Expendable Trust funds parallels accounting for governmental funds (modified accrual basis/approximate flow of current financial resources). Pension Trust Funds and Nonexpendable Trust Funds are accounted for in a manner similar to proprietary funds (accrual basis/flow of economic resources).

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**MEASUREMENT FOCUS**

The accounting and financial reporting treatment applied to a fund determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide Statement of Net Assets and Statement of Activities, all proprietary funds, and private purpose trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**MEASUREMENT FOCUS (Continued)**

With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the Statement of Net Assets or on the Statement of Fiduciary Net Assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The Statement of Net Assets, Statement of Activities, financial statements of Proprietary Funds and Fiduciary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.



<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**MEASUREMENT FOCUS (Continued)**

The fund financial statements of the General, Special Revenue, Debt Service, and Capital Projects funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within sixty days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants revenue is considered to be measurable and available as revenue when related eligible expenditures are incurred.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**MEASUREMENT FOCUS (Continued)**

Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

The local government unit applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed for accountability purposes only.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**ENCUMBRANCES**

It is the City's policy to honor all unfilled contracts/orders at year-end, but the authority to complete these transactions is provided by the new year's budget appropriations, as unexpended appropriations of the current year lapse at year-end.

**CASH AND CASH EQUIVALENTS**

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

The City classifies cash on hand, cash on deposit (including certificates of deposit), and highly liquid investments with an original maturity of ninety days or less when purchased as cash in its financial statements.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**INVENTORIES**

Inventories of supplies are expended as received.

**RECEIVABLES**

Accounts which will be collected within sixty days of year-end are accrued as accounts receivable in the General and Special Revenue Funds. User charges for the Proprietary Fund are recorded as receivable when billed. On an annual basis the charges are reviewed for collectibility. Those deemed uncollectible are assigned to the tax roll.

**INTEREST RECEIVABLE**

Interest on certificates of deposit is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**DUE TO/FROM OTHER FUNDS**

Transactions between funds that had not been paid or received as of fiscal year end have been recorded as inter-fund accounts receivable and payable in the financial statements. These inter-fund receivables and payables do not represent Board-approved loans between funds.

**DEFERRED REVENUE**

Deferred revenue represents amounts under the modified accrual basis of accounting for which asset recognition criteria have been met but for which revenue recognition criteria have not been met, whereby such amounts are measurable but not considered currently available resources.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**FUND EQUITY**

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances represent the amount that has been legally identified for specific purposes. Designated fund balances represent amounts earmarked by the City for future expenditures.

Unreserved retained earnings represent net assets available for future operations or distribution. Reserved retained earnings represent net assets that have been legally identified for specific purposes. Designated retained earnings represent amounts earmarked by the City for future expenditures.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**BUDGETS AND BUDGETARY ACCOUNTING**

The City follows the State of Michigan Uniform Budgeting and Accounting Act for budgeting procedures. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. Although no longer required, the City adopts budgets for the Capital Projects and Debt Retirement Funds as well. Unexpended appropriations lapse at fiscal year-end.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30 of the preceding fiscal year, the City prepares a budget for the next fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**BUDGETS AND BUDGETARY ACCOUNTING  
(Continued)**

2. A meeting of the City Council is then called for the purpose of adopting the proposed budget after sufficient public notice of the meeting has been given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the members of the City Council.

One the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the City Council. Amendments are presented to the Council at their regular meetings. Each amendment must have Council approval.



<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**PROPERTY TAX**

Property taxes are levied on December 31 and payable in two installments July 01 and December 01. They are declared delinquent on March 01 of the following year.

The City bills and collects its own property taxes and also collects taxes for the school district and County. Collections for the schools and county are accounted for in the Trust and Agency Fund. City property tax revenues are recognized when levied to the extent they are receivable. The County of Iron purchases from the City the delinquent real property taxes outstanding as of March 31 of each year. The 2005 Taxable Valuation of the City was \$44,476,815, on which was levied 19.66 mills for general operation of the City. In addition, the City collects a 1% administration fee on all taxes collected.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**PROPERTY TAX (Continued)**

The Board further established penalties on all taxes collected on or before August 01, pursuant to the following schedule:

1% penalty if taxes are paid on August 01 through August 30; an additional 1% penalty on all taxes paid on September 01 through February 28.

**NON-MONETARY TRANSACTIONS**

The Single Audit Act of 1984, as amended, and OMB Circular A-133 defines federal financial assistance to include both monetary and non-monetary forms of assistance provided by or passed down from a federal agency, such as grants, contracts, loans, loan guarantees, property, etc.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**CAPITAL ASSETS**

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the governmental-wide statements to the extent the City's capitalization threshold of \$ 1,000 is met. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

**Buildings..... 20 - 30 years**

**Infrastructure..... 10 - 65 years**

**Furniture and Other  
Equipment..... 5 - 20 years**

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**CAPITAL ASSETS (Continued)**

To the extent the City's capitalization threshold of \$ 1,000 is met, capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the governmental-wide basis using the straight-line method and the following estimated useful lives:

**Land Improvements..... 20 years**

**Equipment..... 5 - 20 years**

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**CAPITAL ASSETS (Continued)**

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

**COMPENSATED ABSENCES**

The agreement between the **City of Iron River** and the City of Iron River Employees' Chapter of Local #1424, Affiliated with Michigan Council #25 AFSCME, AFL-CIO provides for the following benefits:

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**COMPENSATED ABSENCES (Continued)**

**Sick Leave**

Sick leave with pay shall be granted the employees on the following basis: Each employee shall earn (1) day of paid sick leave for each month of continuous service, which sick leave may be accumulated up to a total of two hundred (200) days.

One half of the accumulated sick leave, plus the related costs of FICA, Medicare, and retirement, will be payable at termination.

As of June 30, calculated at the current rates of pay, employees of the City have accumulated sick leave benefits in the amount of \$ 52,515.58. At 50% payout, the City's liability for accumulated sick leave, plus the related costs of FICA, Medicare, and retirement is \$ 16,185.31.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**COMPENSATED ABSENCES (Continued)**

**Sick Leave (Continued)**

The City has policy to fund one-half the sick leave liability and has established a Sick Leave Fund within the Trust and Agency Fund for this purpose.

The funding level required to meet this obligation at June 30, 2006 is \$16,185.31. The City has met this funding obligation as of June 30.

**Personal Leave**

Beginning in the 2005-06 fiscal year, the City gave all employees the option of converting their unused sick leave to personal leave days, which will be payable at 50% the accumulated value at retirement or termination, just as is the sick leave. However, unlike the sick leave which is funded through the Sick Leave Fund, the City's liability for personal leave is not funded by the City. As of June 30, 2006, the City's liability for unused personal leave was \$ 92,119.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION** (Continued)

**COMPENSATED ABSENCES** (Continued)

**Vacation**

Employees earn vacation benefits on a graduated scale based upon years of continuous service. Vacation time cannot be accumulated from one year to another, and if not taken by the employment anniversary date, is lost.

As of June 30, 2006, calculated at the current rates of pay, the City's liability for accrued vacation plus the related costs of FICA and Medicare is \$ 47,604.

**POST RETIREMENT EMPLOYEE BENEFITS**

The **City of Iron River**, as stated in the agreement between the **City of Iron River** and the **City of Iron River** employees' Chapter of Local #1424, affiliated with the Michigan Council #25 AFSCME, AFL-CIO, will pay two-thirds of the insurance premium for Blue Cross/Blue Shield Hospital and Medical Insurance for the employee only, after he/she retires, from the age of sixty-two and through the age of sixty-five.



<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE B – INTER-FUND ACTIVITIES**

**INTER-FUND RECEIVABLES AND PAYABLES**

Inter-fund receivables and payables do not represent inter-fund borrowings; instead, they represent actual amounts which are pending between funds at year-end due to the timing of cash flows. Generally, these amounts clear shortly after year-end when resources become available.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE B – INTER-FUND ACTIVITIES (CONTINUED)**

The amounts of the inter-fund receivables and payables as of  
June 30, 2006 were as follows:

<u><b>Fund</b></u>	<u><b>Inter-fund Receivable</b></u>	<u><b>Inter-fund Payable</b></u>
General Fund	\$ 53957	\$ -0-
Sick Leave Fund	-0-	7513
Major Street Fund	-0-	-0-
Local Street Fund	-0-	-0-
Water Fund	113000	46344
Water Construction Fund	-0-	-0-
Sewer Fund	-0-	113000
Trust and Agency Fund	-0-	-0-
Employee Trust Fund		
Health Reimbursement Account	<u>-0-</u>	<u>100</u>
<b>Totals</b>	<b>\$ 166957</b>	<b>\$ 166957</b>

The above inter-fund receivables/payables are the result of  
operating activities occurring prior to year-end, and are  
expected to be cleared shortly thereafter.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE B – INTER-UND ACTIVITIES (CONTINUED)**

**OPERATING TRANSFERS**

Inter-fund transfers are the result of legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

During the fiscal year ended June 30, 2006, the City authorized the following transfers:

<b><u>Fund</u></b>	<b><u>Transfers In</u></b>	<b><u>Transfers Out</u></b>
General Fund	\$ 7513	\$ 79568
Debt Service	67568	-0-
Capital Projects	-0-	-0-
Sick Leave Fund	-0-	7513
Major Street Fund	-0-	65000
Local Street Fund	65000	-0-
RV Park	<u>12000</u>	<u>-0-</u>
<b>Totals</b>	<b>\$ <u>152081</u></b>	<b>\$ <u>152081</u></b>

The General Fund transfers funds to the Debt Service Fund to provide monies for payment of principal and interest on notes/loans not provided for by Debt Service millage, and also transfers funds to the RV Park Fund to defray expenses.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE B – INTER-FUND ACTIVITIES (CONTINUED)**

**OPERATING TRANSFERS (Continued)**

The Sick Leave Fund transferred excess contributions back to the General Fun.

The Major Street Fund transferred a portion of its Act 51 funding, as allowed by statute, to supplement the needs of the Local Street Fund.

**OTHER FINANCING SOURCES (USES)**

The transfers of cash between the various City funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS**

As a result of the consolidation of the Cities of Iron River and Stambaugh, and the Village of Mineral Hills, all restrictions in the use of funds of the respective cities and village are also restricted in the new **City of Iron River**.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS**

**STAMBAUGH WATER SYSTEM REVENUE BONDS**

The bonding ordinance for the Water System Revenue Bonds of the former City of Stambaugh, requires certain cash balances be reserved for bond repayment.

**Bond and Interest Redemption Fund**

Revenues must be transferred to the Bond and Interest Redemption Fund before any other expenditures or transfers. Sufficient amounts must be set aside to pay for the principal and interest payments accruing on the bonds.

The City had a payment for principal and interest due on May 01, 2006, so the balance required in the bond and interest redemption account would be zero. The City would transfer its next quarterly deposit in July, 2006.

The actual balance on June 30, 2006 in the bond and interest redemption account was \$ 26,249.

The City was in compliance with this requirement.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**STAMBAUGH WATER SYSTEM REVENUE BONDS  
(Continued)**

**Reserve Account**

A reserve account for Bond and Interest Redemption is to be funded in the amount of \$ 1,000 per month, beginning on July 01, 1999, until there is accumulated the sum of \$ 120,000. No further deposits need be made thereafter.

Monies in the reserve account shall be used solely for payment of principal installments and interest on the bonds as to which there would otherwise be default.

On June 30, the City was required to have a balance of \$ 84,000 in the Reserve Account. The actual June 30, 2006 balance was \$ 88,385.

The City was in compliance with this requirement.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**STAMBAUGH WATER SYSTEM REVENUE BONDS**  
**(Continued)**

**Repair, Replacement, and Improvement Fund**

The bonding ordinance requires the establishment of a Repair, Replacement, and Improvement Fund to be used for the purpose of paying the cost of (a) repairing any damage to and emergency maintenance of the System, (b) repairing or replacing obsolete, deteriorating, deteriorated or worn out portions of the System, (c) acquiring and constructing extensions and improvements to the System, and, when necessary, for the purpose of making payments of principal and interest on the First Series Bond.

If the amount in the Bond and Interest Redemption Fund and the Bond Reserve Account is not sufficient to pay the principal and interest on the Bonds when due, the moneys in the RRI Fund shall be transferred to the Bond and Interest Redemption Fund and used for that purpose.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**STAMBAUGH WATER SYSTEM REVENUE BONDS**  
**(Continued)**

**Repair, Replacement, and Improvement Fund**  
**(Continued)**

Beginning July 01, 1999, the City was required to deposit into the RRI fund an annual amount not less than \$22,000 less the amount, if any, deposited in the Bond Reserve Account at the beginning of the same Fiscal Year month.

On June 30, the City was required to have a balance of \$ 70,000 in the Repair, Replacement, and Improvement Account. The actual balance on June 30, 2006 was \$ 73,562.

The City was in compliance with this requirement.

**CITY OF IRON RIVER 2001 WATER SUPPLY  
SYSTEM REVENUE BOND**

The bonding ordinance for the City of Iron River 2001 Water Supply System Revenue Bond requires certain cash balances be reserved, as follows:



<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**CITY OF IRON RIVER 2001 WATER SUPPLY  
SYSTEM REVENUE BOND (Continued)**

**Bond and Interest Redemption Fund**

Each quarter of the fiscal year, revenues must be transferred to the Bond and Interest Redemption Fund before any other expenditures or transfers. Sufficient amounts must be set aside to pay for the principal and interest payments on the bonds.

The City had a payment for principal and interest due on May 01, 2006, so the balance required in the bond and interest redemption account would be zero. The City would transfer its next quarterly deposit in July, 2006. The actual balance on June 30, 2006 in the Bond and Interest Redemption Account was \$ 35,274.

On June 30, the City was in compliance with this requirement.

**Reserve Account**

A reserve account for Bond and Interest Redemption is to be funded in the amount of \$ 5750 per quarter, beginning on July 01, 2001, until there is accumulated the sum of \$ 230,000. No further deposits need be made thereafter.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**CITY OF IRON RIVER 2001 WATER SUPPLY  
SYSTEM REVENUE BOND (Continued)**

**Reserve Account (Continued)**

Monies in the reserve account shall be used solely for payment of principal installments and interest on the bonds as to which there would otherwise be default.

On June 30, the City was required to have a balance of \$ 115,000 in the reserve account. The actual balance on June 30, 2006 was \$ 121,510.

The City was in compliance with this requirement.

**Repair, Replacement, and Improvement Fund**

The bonding ordinance requires the establishment of a Repair, Replacement, and Improvement Fund to be used for the purpose of paying the cost of (a) repairing any damage to and emergency maintenance of the System, (b) repairing or replacing obsolete, deteriorating, deteriorated or worn out portions of the system, (c) acquiring and constructing extensions and improvements to the System, and, when necessary, for the purpose of making payments of principal and interest on the Bond.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**CITY OF IRON RIVER 2001 WATER SUPPLY  
SYSTEM REVENUE BOND (Continued)**

**Repair, Replacement, and Improvement Fund  
(Continued)**

If the amount in the Bond and Interest Redemption Fund and Bond Reserve Account is not sufficient to pay the principal and interest on the Bonds when due, the moneys in the RRI Fund shall be transferred to the Bond and Interest Redemption Fund and used for that purpose.

Beginning July 01, 2001, the City was required to deposit into the RRI fund a quarterly amount not less than \$9500 less the amount, if any, deposited in the Bond Reserve Account at the beginning of the same Fiscal Year quarter.

On June 30, the City was required to have a balance of \$ 75,000 in the Repair, Replacement, and Improvement Account. The Rural Development approved an expenditure in the amount of \$ 18,138.52, therefore the required balance is \$ 56,861.48. The actual balance on June 30, 2006 was \$ 60,462.

The City was in compliance with this requirement.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**RESTRICTED CASH - SEWER FUND**

As a result of an administrative consent order between the **City of Iron River** and the State of Michigan Department of Environmental Quality, the City was required, no later than July 01, 2002, to raise average residential sewer rates per household to generate a minimum of \$ 227,100 annually. This amount is required to be set aside as an escrow account, established by the City, for future improvements on the wastewater collection system, including engineering expenses. The amount to be collected annually must be adjusted for inflation on July 01 every year, using the American City and County Construction Cost Index determination of average annual inflation.

The required balance of this account on June 30, 2006, was \$ 324,635. The actual balance was \$ 389,876.55.

The City is in compliance with this consent order.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**PRIMARY GOVERNMENT**

On June 30, 2006, the carrying value of the City's deposits (Primary Government) was \$ 2,061,232 and is comprised of cash and deposits reflected in the following funds.

***Governmental Funds***

General Fund	\$ 504391
Major Street Fund	257819
Local Street Fund	182747
Debt Service	7017
Building Authority	3885
Capital Projects (Equipment) Fund	<u>4619</u>

<b><i>Total Governmental Funds</i></b>	<b>\$ 960478</b>
--	------------------

(Continued on page 117)

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**PRIMARY GOVERNMENT (Continued)**

(Continued from previous page)

***Enterprise Funds***

Water Fund	\$	506592
Sewer Fund		553985
RV Park Fund		<u>11909</u>

<b><i>Total Enterprise Funds</i></b>	<b>\$</b>	<b>1072486</b>
--------------------------------------	-----------	----------------

***Fiduciary Funds***

Tax Collection Fund	\$	0
Sick Leave Fund		23699
Employee Trust Fund		355
Health Reimbursement Fund		<u>4214</u>

<b><i>Total Fiduciary Funds</i></b>	<b>\$</b>	<b>28268</b>
-------------------------------------	-----------	--------------

<b>Total Primary Government</b>	<b>\$</b>	<b>2061232</b>
---------------------------------	-----------	----------------

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the local unit's cash deposits classifies cash according to three levels of risk.

The three levels of risk are as follows:

**Category 1**

Deposits which are insured or collateralized with securities held by the City or its agent in the City's name.

**Category 2**

Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**Category 3**

Deposits which are not collateralized or insured.

Based on these levels of risk, the City's cash deposits  
(Primary Government) are classified as follows:

**SCHEDULE OF CASH AND DEPOSITS**

**PRIMARY GOVERNMENT**

	<b>Category <u>1</u></b>	<b>Category <u>2</u></b>	<b>Category <u>3</u></b>	<b><u>Totals</u></b>
Cash and Deposits	\$ 222093	\$ -0-	\$ 1839139	\$ 2061232



<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**SCHEDULE OF CASH AND DEPOSITS (Continued)**

**COMPONENT UNITS**

On June 30, 2006, the carrying value of the Component Unit's deposits was \$ 130,022 and is comprised of cash and deposits reflected as follows:

<b>Downtown Development Authority</b>	<b>\$ 9430</b>
<b>Tax Increment Financing</b>	<b>120592</b>
<b>Community Pride</b>	<b><u>-0-</u></b>
<b>Total Component Units</b>	<b>\$ 130022</b>

Based on the levels of risk, the Component Unit's cash and deposits are classified as follows:

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**SCHEDULE OF CASH AND DEPOSITS (Continued)**

<b><u>Component Units</u></b>	<b><u>Category 1</u></b>	<b><u>Category 2</u></b>	<b><u>Category 3</u></b>	<b><u>Totals</u></b>
Cash and Deposits	\$ -0-	\$ -0-	\$ 130022	\$ 130022

**INVESTMENTS**

The City's investments are categorized below to give an indication of the level of risk assumed at year end. **Category 1** includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**INVESTMENTS (Continued)**

**Category 2** includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's safekeeping department or agent in the City's name.

**Category 3** includes uninsured and registered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent, but not in the City's name.

Neither the City nor the Component Units have investments, as reflected below:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Market Value</u>
<b><u>Investment Type</u></b>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
<b>Total Investments</b>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**STATUTORY AUTHORITY**

Act 196, PA 1997, authorizes the City to deposit and invest in:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the State of Michigan under a law or rule of this state or the United States.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**STATUTORY AUTHORITY (Continued)**

4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.
5. Bankers acceptances of United States banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**STATUTORY AUTHORITY (Continued)**

7. Mutual funds registered under the Investment Act of 1950 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

The City has adopted an investment policy, allowing for all types of deposits and investments listed above. The City's deposits and investments are in compliance with its investment policy.

**NOTE D - PENSION PLAN**

**DESCRIPTION OF PLAN AND PLAN ASSETS**

The **City of Iron River** participates in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS).

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE D - PENSION PLAN (CONTINUED)**

**DESCRIPTION OF PLAN AND PLAN ASSETS**  
**(Continued)**

The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty-connected death and postretirement adjustments to plan members and their beneficiaries.

The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2005.

MERS was organized pursuant to Section 12a of Act#156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a), as amended, State of Michigan.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE D - PENSION PLAN (CONTINUED)**

**DESCRIPTION OF PLAN AND PLAN ASSETS**  
**(Continued)**

MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system.

That report may be obtained by writing to:

<p><b>MERS</b> <b>447 North Canal Street</b> <b>Lansing, Michigan 48917-9755</b></p>
--



<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE D - PENSION PLAN (CONTINUED)**

**FUNDING POLICY**

The obligation to contribute to and maintain the system for these employees was established by negotiation with the **City of Iron River's** competitive bargaining unit and personnel policy, which does not require employees to contribute to the plan. The City is required to contribute at an actuarially determined rate. The current rate was 18.08% as of December 31, 2005.

**ANNUAL PENSION COST**

During the fiscal year ended June 30, 2006, the City's contributions totaling \$ 150,854.30 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2005. The employer contribution rate has been determined based on the entry age normal funding method.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE D - PENSION PLAN (CONTINUED)**

**ANNUAL PENSION COST (Continued)**

Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years.

The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit.

Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on age-related scale to reflect merit, longevity, and promotional salary increases.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE D - PENSION PLAN (CONTINUED)**

**REQUIRED SUPPLEMENTARY INFORMATION FOR GASB STATEMENT NO. 25**

<b>Actuarial Valuation <u>Date</u></b>	<b>Actuarial Value of <u>Assets</u></b>	<b>Actuarial Accrued Liability <u>(AAL)</u></b>	<b>Under-funded AAL <u>(UAAL)</u></b>	<b>Funded <u>Ratio</u></b>	<b>Covered <u>Payroll</u></b>	<b>UAAL as a Percent of Covered <u>Payroll</u></b>
2001	\$ 4167884	\$ 3819200	\$ (348644)	109%	\$ 737717	0
2002	4061115	4167084	105969	97%	795179	13
2003	4163328	4537454	374126	92%	855919	44
2004	4324886	5016462	691576	86%	891242	78
2005	4536582	5448252	911670	83%	938299	97

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE D - PENSION PLAN (CONTINUED)**

**GASB 25 AND GASB 27 INFORMATION**

The following information has been prepared to provide the information necessary to comply with GASB Statements 25 and 27.

Statement 25 is effective for fiscal years beginning after June 15, 1996 and Statement 27 is effective for fiscal years beginning after June 15, 1997.

All entries are based on the actuarial methods and assumptions that are used in the December 31, 2005 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE D - PENSION PLAN (CONTINUED)**

**GASB 25 INFORMATION (as of 12/31/05)**

Retirees and beneficiaries currently receiving benefits	\$ 2,102,362
Terminated employees not yet receiving benefits	57,068
Current employees -	
Accumulated employee contributions including allocated investment income	220,645
Employer Financed	<u>3,068,177</u>
Total Actuarial Accrued Liability	5,448,252
Net Assets Available for Benefits as Actuarial Value	4,536,582
(Market Value is \$ 4,417,039)	
Unfunded (Over-funded) Actuarial Accrued Liability	\$ <u>911,670</u>

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE D - PENSION PLAN (CONTINUED)**

**GASB 27 INFORMATION (as of 12/31/05)**

<b>Fiscal Year Beginning</b>	<b>July 01, 2007</b>
Annual Required Contribution (ARC)	\$ 169,644
Amortization Factor Used (Unfunded Liabilities – 30 years)	0.053632

**NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

**BUDGET VIOLATIONS**

P.A. 621 of 1978, SECTION 18 (1), as amended, provides a local unit shall not incur expenditures in excess of the amounts appropriated.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS  
(CONTINUED)**

**BUDGET VIOLATIONS (Continued)**

The **City of Iron River**'s actual expenditures and budgeted expenditures for the funds budgeted have been shown on an activity basis. The approved budgets of the **City of Iron River** were adopted at the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

The total actual 2005-2006 expenditures for the following activities (cost centers) exceeded the amended budget allocations by a total of \$ 1,374, contrary to the provisions of Section 17 of Public Act 621 of 1978, the "Uniform Budgeting and Accounting Act".

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS  
(CONTINUED)**

**BUDGET VIOLATIONS (Continued)**

<b><u>ACTIVITY (COST CENTER)</u></b>	<b><u>ACTUAL</u></b>	<b><u>BUDGET</u></b>	<b><u>OVER EXPENDITURES</u></b>
<b><u>General Fund</u></b>			
Prisoner Labor	\$ 19131	\$ 18000	\$ 1131
<b><u>Major Street Fund</u></b>			
Routine Maintenance	175443	175200	243

**NOTE F - ACCUMULATED FUND DEFICITS**

At June 30, 2006, the City had no fund balance/retained earnings deficit in any fund.



<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE G - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City.

**NOTE H - CAPITAL ASSETS**

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2006:

	<b>Balance June 30, <u>2005</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b>Balance June 30, <u>2006</u></b>
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 624473	\$ 2898	\$ -0-	\$ 627371
Construction in Progress	<u>0</u>	<u>0</u>	<u>-0-</u>	<u>0</u>
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 624473</b>	<b>\$ 2898</b>	<b>\$ -0-</b>	<b>\$ 627371</b>

(Continued on page 137)

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE H - CAPITAL ASSETS (CONTINUED)**

**GOVERNMENTAL ACTIVITIES (Continued)**

	<b>Balance June 30, <u>2005</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b>Balance June 30, <u>2006</u></b>
<b>Other Capital Assets</b>				
Land Improvements	\$ 732396	\$ 181466	\$ -0-	\$ 913862
Buildings	2214999	15879	-0-	2230878
Infrastructure	5533435	820632	-0-	6354067
Furniture and Other Equipment	<u>2701099</u>	<u>23193</u>	<u>-0-</u>	<u>2724292</u>
<b>Total Other Capital Assets</b>	<b>\$ 11181929</b>	<b>\$ 1041170</b>	<b>\$ -0-</b>	<b>\$ 12223099</b>
<b>Less Accumulated Depreciation for:</b>				
Land Improvements	460761	28569	-0-	489330
Buildings	645614	43662	-0-	689276
Infrastructure	2750788	189640	-0-	2940428
Furniture and Other Equipment	<u>2023313</u>	<u>152860</u>	<u>-0-</u>	<u>2176173</u>
<b>Total Accumulated Depreciation</b>	<b>5880476</b>	<b>414731</b>	<b>-0-</b>	<b>6295207</b>
Other Capital Assets, Net	5301453	626439	-0-	5927892
<b>TOTALS</b>	<b>\$ <u>5925926</u></b>	<b>\$ <u>629337</u></b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>6555263</u></b>

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE H - CAPITAL ASSETS (CONTINUED)**

**GOVERNMENTAL ACTIVITIES (Continued)**

Depreciation was charged to governmental functions as unallocated.

**BUSINESS-TYPE ACTIVITIES**

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended June 30, 2006:

<b><u>BUSINESS-TYPE ACTIVITIES</u></b>	<b><u>Balance June 30, 2005</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Balance June 30, 2006</u></b>
<b><u>Capital Assets Not Being Depreciated:</u></b>				
Land, Easements and Right-of-Way	\$ 2000	\$ -0-	\$ -0-	\$ 2000
<b><u>Other Capital Assets:</u></b>				
Land and Improvements	103709	-0-	-0-	103709
Buildings	776690	-0-	-0-	776690
Infrastructure	13656392	-0-	-0-	13656392
Machinery and Equipment	<u>985411</u>	<u>1440</u>	<u>-0-</u>	<u>986851</u>
<b>Total Capital Assets</b>	<b>\$ <u>15524202</u></b>	<b>\$ <u>1440</u></b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>15525642</u></b>

(Continued on page 139)

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE H - CAPITAL ASSETS (CONTINUED)**

**BUSINESS-TYPE ACTIVITIES (Continued)**

(Continued from previous page)

	<b>Balance June 30, <u>2005</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b>Balance June 30, <u>2006</u></b>
<b><u>Less Accumulated Depreciation</u></b>				
<b><u>for:</u></b>				
Land Improvements	\$ 41548	\$ 5186	\$ -0-	\$ 46734
Buildings	220096	15333	-0-	235629
Infrastructure	2015223	210099	-0-	2225322
Machinery and Equipment	<u>418399</u>	<u>72097</u>	<u>-0-</u>	<u>490496</u>
 <b>Total Accumulated Depreciation</b>	 <u><b>2695266</b></u>	 <u><b>302915</b></u>	 <u><b>-0-</b></u>	 <u><b>2998181</b></u>
 <b>TOTALS</b>	 <b>\$ <u>12828936</u></b>	 <b>\$ <u>(301475)</u></b>	 <b>\$ <u>-0-</u></b>	 <b>\$ <u>12527461</u></b>

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE H - CAPITAL ASSETS (CONTINUED)**

**COMPONENT UNIT - DOWNTOWN DEVELOPMENT  
AUTHORITY**

There are no capital assets in the Downtown Development Authority.

**COMPONENT UNIT - TAX INCREMENT FINANCING  
AUTHORITY**

There are no capital assets in the Tax Increment Financing Authority.

**NOTE I - LONG-TERM DEBT**

The following is a summary of changes of the primary government's long-term debt obligation on June 30, 2006:

**GOVERNMENTAL ACTIVITIES**

	<u><b>7/01/05</b></u>	<u><b>INCREASES</b></u>	<u><b>DECREASES</b></u>	<u><b>6/30/06</b></u>
<b>Note Payable</b> <i>Republic Bank</i> Heating System Improvement	\$ 170098.01	\$ 0.00	\$ 9580.69	\$ 160517.32

(Continued on page 141)

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE I - LONG-TERM DEBT (CONTINUED)**

**GOVERNMENTAL ACTIVITIES (Continued)**

	<b><u>07/01/05</u></b>	<b><u>INCREASES</u></b>	<b><u>DECREASES</u></b>	<b><u>06/30/06</u></b>
<b>Iron River Building Authority</b>				
Bonds Payable	\$ 245000.00	\$ 0.00	\$ 10000.00	\$ 235000.00
<b>Stambaugh Building Authority</b>				
Bonds Payable	60000.00	0.00	20000.00	40000.00
<b>Note Payable</b>				
<b>Wells Fargo Bank</b>				
# 000-00-0003-4				
2000 International Demo Snowplow	9238.88	0.00	9238.88	0.00
<b>Note Payable</b>				
<b>Wells Fargo Bank</b>				
# 000-00-005-9				
1998 International Plow Truck	3852.10	0.00	3852.10	0.00

(Continued on page 142)

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE I - LONG-TERM DEBT (CONTINUED)**

**GOVERNMENTAL ACTIVITIES (Continued)**

(Continued from previous page)

	<u><b>07/01/05</b></u>	<u><b>INCREASES</b></u>	<u><b>DECREASES</b></u>	<u><b>06/30/06</b></u>
<b>Note Payable</b> <i>Wells Fargo Bank</i> # 000-00-0006-7 1998 International Dump Truck	\$ 4031.61	\$ 0.00	\$ 4031.61	\$ 0.00
<b>Note Payable</b> <i>Wells Fargo Bank</i> # 000-00-0007-5 Sweeper	24633.91	0.00	24633.91	0.00
Long-Term Portion Sick Leave	52264.72	0.00	36079.41	16185.31
Long-Term Portion Personal Leave	0.00	92119.35	0.00	92119.35
<b>Total Long-Term Debt</b>	<b>\$ <u>569119.23</u></b>	<b>\$ <u>92119.35</u></b>	<b>\$ <u>117416.60</u></b>	<b>\$ <u>543821.98</u></b>

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE I - LONG-TERM DEBT (CONTINUED)**

**HEATING SYSTEM IMPROVEMENT**

On September 24, 1998, the City entered into an installment purchase agreement with the D & N Bank in the amount of \$246,320 for the purchase and installation of heating equipment. The note, bearing an interest rate of 5.61%, is payable in fifteen annual installments of \$24,854.03 commencing on October 05, 1999. The useful life of the equipment is determined to be not less than forty (40) years.

The obligation of the City to pay principal and interest under the agreement is a general obligation of the City. The City has agreed to include in its budget and pay each year such sums as are necessary to make all payments when due. The City has designated the obligations under this agreement as "qualified tax-exempt obligations" for the purpose of deduction of interest expense by financial institutions.



<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE I - LONG-TERM DEBT (CONTINUED)**

**HEATING SYSTEM IMPROVEMENT (Continued)**

The installment purchase agreement complies with the provisions of Act 99.

**1995 CITY OF IRON RIVER BUILDING  
AUTHORITY BONDS**

The Iron River Building Authority approved a resolution on October 11, 1995 to issue bonds in the aggregate principal sum of \$320,000 in anticipation of the commitments of the City under the Contract to finance the renovation in the City Hall to comply with the Americans with Disabilities Act, all as set out in a certain Full Faith and Credit General Obligation Contract of Lease between the City and the Authority.

The 1995 Building Authority Bond consists of one single fully registered non-convertible bond of denomination of \$ 320,000, payable in principal installments on November 1 of each year.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE I - LONG-TERM DEBT (CONTINUED)**

**1995 CITY OF IRON RIVER BUILDING AUTHORITY  
BONDS (Continued)**

The serial principal installments bear interest at the rate of not to exceed 5.125% per annum, payable on the first day of May and November of each year. The first principal installment of \$5,000, along with accrued interest, was due on November 1, 1996.

Scheduled payments of principal and interest are as follows:

	<u>May 01</u>		<u>November 01</u>	
	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>
				<u>Total</u>
2006	\$ -0-	\$ 10,000	\$ 6,021.83	\$ 16,021.83
2007	5,765.63	10,000	5,765.63	21,531.26
2008	5,509.38	10,000	5,509.38	21,018.76

(Continued on page 146)

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE I - LONG-TERM DEBT (CONTINUED)**

**1995 CITY OF IRON RIVER BUILDING AUTHORITY  
BONDS (Continued)**

(Continued from previous page)

	<u>May 01</u>		<u>November 01</u>	
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 5,125.00	\$ 15,000.00	\$ 5,125.00	\$ 25,250.00
2010	4,740.63	15,000.00	4,740.62	24,481.25
2011	4,356.25	15,000.00	4,356.25	23,712.50
2012	3,971.88	15,000.00	3,981.87	22,953.75
2013	3,715.63	15,000.00	3,715.62	22,431.25
2014	3,331.25	15,000.00	3,331.25	21,662.50
2015	2,946.88	15,000.00	2,946.87	20,893.75
2016	2,562.50	20,000.00	2,562.50	25,125.00
2017	2,050.00	20,000.00	2,050.00	24,100.00
2018	1,537.50	20,000.00	1,537.50	23,075.00
2019	1,025.00	20,000.00	1,025.00	22,050.00
2020	<u>512.50</u>	<u>20,000.00</u>	<u>512.50</u>	<u>21,025.00</u>
<b>Totals</b>	<b>\$ <u>47,150.03</u></b>	<b>\$ <u>235,000.00</u></b>	<b>\$ <u>53,181.82</u></b>	<b>\$ <u>335,331.85</u></b>

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE I - LONG-TERM DEBT (CONTINUED)**

**1993 STAMBAUGH BUILDING AUTHORITY BONDS**

The *Stambaugh Building Authority* entered into an agreement through Michigan Municipal Bond Authority's State Revenue Sharing Pledge Program to borrow \$205,000.

The Authority used the proceeds from general obligation limited tax bonds to finance the construction of a Department of Public Works facility for the City.

The bonds are secured by a lease agreement with the City and will be retired through lease payments from the City.

The general obligation limited tax building authority bonds were issued on August 26, 1993, and mature annually on May 01 of each year through 2008. Interest is payable semi-annually on May 01 and November 01.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE I - LONG-TERM DEBT (CONTINUED)**

**1993 STAMBAUGH BUILDING AUTHORITY BONDS  
(Continued)**

Scheduled payments of principal and interest are stated as follows:

<b><u>Period Ending</u></b>	<b><u>Principal</u></b>	<b><u>Coupon</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt Service</u></b>
Nov. 01, 2006	\$		\$ 1055.00	\$ 1055.00
May 01, 2007	20000.00	5.250%	1055.00	21055.00
Nov. 01, 2007			530.00	530.00
May 01, 2008	<u>20000.00</u>	5.300%	<u>530.00</u>	<u>20530.00</u>
	<b>\$ 40000.00</b>		<b>\$ 3170.00</b>	<b>\$ 43170.00</b>

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE I - LONG-TERM DEBT (CONTINUED)**

**NOTE PAYABLE - WELLS FARGO BANK**  
**2000 International Demo Snowplow**

On October 25, 2000, the City entered into an installment purchase agreement with Schultz Equipment and Parts Company and Wells Fargo Bank Michigan for the purchase of a 2000 International Demo Snowplow in the amount of \$86,011. The note bears interest at the rate of 5.90%, payable in 60 monthly installments of \$1,658.83.

The note was paid in full during the current fiscal year.

**NOTE PAYABLE - WELLS FARGO BANK**  
**1988 International Plow Truck**

On March 19, 2001, the **City of Iron River** signed a promissory note in the principal amount of \$21,500, bearing interest at the rate of 5.54% for the purchase of a 1988 International plow truck.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE I - LONG-TERM DEBT (CONTINUED)**

**NOTE PAYABLE - WELLS FARGO BANK**  
**1988 International Plow Truck (Continued)**

The note is payable in 61 monthly payments of \$405.83 beginning April 15, 2001, with all subsequent payments due on the fifteenth day of each month thereafter.

The note was paid in full during the current fiscal year.

**NOTE PAYABLE - WELLS FARGO BANK**  
**1988 International Dump Truck**

On March 19, 2001, the **City of Iron River** signed a promissory note in the principal amount of \$ 22,500 for the purchase of a 1988 International dump truck. The note bears interest at the rate of 5.54% per annum and is payable in 61 monthly payments of \$ 424.70 beginning April 15, 2001 and on the fifteenth day of each month thereafter.

The note was paid in full during the current fiscal year.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE I - LONG-TERM DEBT (CONTINUED)**

**NOTE PAYABLE - WELLS FARGO BANK  
Sweeper**

On April 10, 2001, the **City of Iron River** signed a promissory note with Wells Fargo Bank in the principal amount of \$147,905 for the purchase of a sweeper, bearing interest at the rate of 5.54% per annum, payable in 61 monthly payments of \$2,833.52 beginning on May 10, 2001 and payable on the tenth day of each month thereafter.

The note was paid in full during the current fiscal year.

**LONG-TERM EMPLOYEE BENEFITS PAYABLE**

Long-term employee sick leave, plus the related costs of FICA, Medicare, and retirement will be payable at the rate of 50% at termination. On June 30, 2006, the accrued liability totaled \$ 32,370.61. One half of the liability is \$ 16,185.31 and is reflected as a long term liability in the City's financial statements.



<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE I - LONG-TERM DEBT (CONTINUED)**

**LONG-TERM EMPLOYEE BENEFITS PAYABLE  
(COTINUED)**

Long-term employee personal leave, plus the related costs of FICA, Medicare, and retirement will be payable at the rate of 50% at termination or retirement. On June 30, 2006, the long-term liability is \$ 92,119.50.

	<b><u>July 01, 2005</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>June 30, 2006</u></b>
<b>Business-type activities</b>				
Water Supply System	\$	\$	\$	\$
Revenue Bond (Former)				
City of Stambaugh	2064000	-0-	27000	2037000
City of Iron River 2001				
Water Supply System				
Revenue Bond	<u>4737000</u>	<u>-0-</u>	<u>71000</u>	<u>4666000</u>
<b>TOTALS</b>	<b>\$ <u>6801000</u></b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>98000</u></b>	<b>\$ <u>6703000</u></b>

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE I - LONG-TERM DEBT (CONTINUED)**

**WATER SUPPLY SYSTEM REVENUE BOND PAYABLE**

In May of 1999, the former City of Stambaugh, pursuant to the provisions of Act 94, Public Acts of Michigan, 1933, as amended, approved the issuance of water supply system revenue bonds in the amount of \$2,202,000 for the acquisition, construction, and equipping of improvements to the Water Supply system of the former City of Stambaugh.

The total cost of the Project was estimated to be not less than \$4,637,000, and the period of usefulness of the Project was estimated to be not less than 40 years. The remaining cost of the project is to be defrayed from grant funds and Issuer funds on hand and legally available for such use.

Water Supply System bonds mature annually on May 01 of each year through May 01, 2039. Interest is payable semi-annually on May 01 and November 01 of each year at a rate of 4.50% per annum.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE I - LONG-TERM DEBT (CONTINUED)**

**WATER SUPPLY SYSTEM REVENUE BOND PAYABLE**

**(Continued)**

Scheduled payments of principal and interest are as follows:

	<u>May 01</u>		<u>November 01</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
2006	\$	\$	\$ 45,833	\$ 45,833
2007	28,000	45,833	45,203	119,036
2008	29,000	45,203	44,550	118,753
2009	31,000	44,550	43,853	119,403
2010	32,000	43,853	43,133	118,986
2011	33,000	43,133	42,390	118,523
2012	35,000	42,390	41,603	118,993

(Continued on page 155)

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE I - LONG-TERM DEBT (CONTINUED)**

**WATER SUPPLY SYSTEM REVENUE BOND PAYABLE  
(Continued)**

	<u>May 01</u>		<u>November 01</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 36,000	\$ 41,603	\$ 40,793	\$ 118,396
2014	38,000	40,793	39,938	118,731
2015	40,000	39,938	39,038	118,976
2016	41,000	39,038	38,115	118,153
2017	44,000	38,115	37,125	119,240
2018	45,000	37,125	36,113	118,238
2019	48,000	36,113	35,033	119,146
2020-2024	271,000	163,531	157,433	591,964
2025-2029	338,000	130,140	122,535	590,675
2030-2034	421,000	88,562	79,090	588,652
2035-2039	<u>527,000</u>	<u>36,722</u>	<u>24,864</u>	<u>588,586</u>
<b>Totals</b>	<b>\$ 2,037,000</b>	<b>\$ 956,642</b>	<b>\$ 956,642</b>	<b>\$ 3,950,284</b>

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE I - LONG-TERM DEBT (CONTINUED)**

**LONG-TERM DEBT - FORMER VILLAGE OF MINERAL  
HILLS**

Sewage Disposal System Revenue Bonds, Series A and B, issued on April 02, 1996, consisted of two (2) single fully-registered nonconvertible bonds of the denominations of \$111,000, and \$60,000, and bear interest at the rate of 4.50% per annum.

**CITY OF IRON RIVER 2001 WATER SUPPLY SYSTEM  
REVENUE BOND**

On June 27, 2001 pursuant to the provisions of Act 94, Public Acts of Michigan, 1933, as amended, the **City of Iron River** approved the issuance of water supply system revenue bonds in the amount of \$5,000,000 for the purpose of paying all or part of the cost of water supply system improvements, consisting of water meters, hydrants, valves, transmission and distribution lines, the sites therefore and all related appurtenances and attachments, to serve the users of the City's water system.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE I - LONG-TERM DEBT (CONTINUED)**

**CITY OF IRON RIVER 2001 WATER SUPPLY SYSTEM  
REVENUE BOND (Continued)**

The principal of and interest on said revenue bonds shall be payable solely from the revenues received by the City from the operations of the water system. The bonds are payable in annual installments not to exceed forty in number and will bear interest at the rate of 3.25%.

Scheduled payments of principal and interest are as follows:

	<u>May 01</u>		<u>November 01</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
2006	\$	\$	\$ 75,823	\$ 75,823
2007	73,000	75,823	74,636	223,459
2008	75,000	74,636	73,418	223,054
2009	78,000	73,418	72,150	223,568
2010	81,000	72,150	70,834	223,984
2011	83,000	70,834	69,485	223,319

(Continued on page 158)

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE I - LONG-TERM DEBT (CONTINUED)**

**CITY OF IRON RIVER 2001 WATER SUPPLY SYSTEM  
REVENUE BOND (Continued)**

(Continued from previous page)

	<u>May 01</u>		<u>November 01</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 86,000	\$ 69,485	\$ 68,088	\$ 223,573
2013	89,000	68,088	66,641	223,729
2014	92,000	66,641	65,146	223,787
2015	95,000	65,146	63,603	223,749
2016	98,000	63,603	62,010	223,613
2017	101,000	62,010	60,369	223,379
2018	105,000	60,369	58,663	224,032
2019	108,000	58,663	56,908	223,571
2020	111,000	56,908	55,104	223,012
2021	115,000	55,104	53,235	223,339
2022-2026	635,000	246,188	235,869	1,117,057
2027-2031	743,000	191,200	179,125	1,113,325
2032-2036	873,000	126,735	112,548	1,112,283
2037-2041	<u>1,025,000</u>	<u>51,042</u>	<u>34,386</u>	<u>1,110,428</u>
<b>Totals</b>	<b>\$ 4,666,000</b>	<b>\$ 1,608,043</b>	<b>\$ 1,608,041</b>	<b>\$ 7,882,084</b>

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE J - SEGMENT INFORMATION - Enterprise Funds**

	<b><u>Water Fund</u></b>	<b><u>Sewer Fund</u></b>	<b><u>RV Park Fund</u></b>	<b><u>Total Enterprise Funds</u></b>
Operating Revenues	\$ 850555	\$ 784124	\$ 12976	\$ 1647655
Depreciation and Amortization Expense	254781	40995	7139	302915
Operating Income or (Loss)	175276	5791	(7878)	173189
Operating Grants, Entitlements, and Shared Revenues	-0-	-0-	-0-	-0-
Operating Transfers:				
In	-0-	-0-	-0-	-0-
(Out)	-0-	-0-	-0-	-0-
Tax Revenues	-0-	-0-	-0-	-0-
Net Income or Loss	(55986)	25750	4433	(25803)
Current Capital:				
Contributions	-0-	-0-	-0-	-0-
Transfers	-0-	-0-	-0-	-0-

(Continued on page 160)



<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE J - SEGMENT INFORMATION - Enterprise Funds (CONTINUED)**

(Continued from previous page)

	<b><u>Water Fund</u></b>	<b><u>Sewer Fund</u></b>	<b><u>RV Park Fund</u></b>	<b><u>Total Enterprise Funds</u></b>
Property, Plant, and Equipment				
Additions	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Deletions	-0-	-0-	-0-	-0-
Net Working Capital	254045	90081	11607	355733
Total Assets	11519288	2259119	118692	13897099
Bonds and Other Long-Term				
Liabilities				
Payable from Operating				
Revenues	6703000	-0-	-0-	6703000
Payable from Other Sources	-0-	-0-	-0-	-0-
Total Equity	\$ 4762853	\$ 2143279	\$ 118390	\$ 7024522

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE K - RELATED PARTY TRANSACTIONS**

*Related parties* exist when there is a relationship that offers the potential for transactions at less than arm's length, favorable treatment, or even the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business.

However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE K - RELATED PARTY TRANSACTIONS (CONTINUED)**

On this basis, there were no related party transactions reported in the financial statements.

**NOTE L - SUBSEQUENT EVENTS**

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure. They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

At fiscal year ended June 30, 2006, there were no subsequent events that would have a significant affect on the City's operations.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2006*

**NOTE M - COMMITMENTS AND CONTINGENCIES (CONTINUED)**

The City participates in state and federal grant programs which are governed by various rules and regulations of the grantor agencies.

Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of money received may be required and the collectibility of any related receivable at June 30, 2006 may be impaired.

In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

## **REQUIRED SUPPLEMENTAL INFORMATION**

<b>CITY OF IRON RIVER</b>
---------------------------

**REQUIRED SUPPLEMENTAL INFORMATION**

**GENERAL FUND - BUDGETARY COMPARISON SCHEDULE**

*FISCAL YEAR ENDED JUNE 30, 2006*

	<b>ORIGINAL BUDGET</b>	<b>FINAL AMENDED BUDGET</b>	<b>ACTUAL</b>
<b><u>REVENUE</u></b>			
General Property Taxes	\$ 801,400	\$ 778,000	\$ 777,703
Other Local Taxes	10,500	10,500	9,675
Penalties and Interest on Taxes	31,000	27,000	26,885
Licenses, Permits and Fines	3,000	2,100	2,399
Use of Money and Property	191,621	263,771	272,153
Sale of Property	5,000	15,000	31,753
Charges for Services	205,500	199,500	199,233
Miscellaneous	10,000	73,929	74,311
Recovered Costs	25,000	25,000	22,513
Intergovernmental	472,346	581,388	570,020
<b>TOTAL REVENUE</b>	<b>\$ 1,755,367</b>	<b>\$ 1,976,188</b>	<b>\$ 1,986,645</b>
<b><u>EXPENDITURES</u></b>			
General Government	496,386	515,413	491,838
Legislative	8,050	8,300	8,073
Public Safety	606,715	559,112	545,664
Public Works	338,300	284,817	269,769
Highways and Streets	90,165	106,085	103,498
Sanitation and Health	192,385	179,465	130,972
Culture and Recreation	89,000	96,054	87,083
Community Development	16,486	16,986	16,594
Capital Outlay	43,000	224,971	223,435
Intergovernmental Payments	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,880,487</b>	<b>\$ 1,991,203</b>	<b>\$ 1,876,926</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Operating Transfers In	-	-	7,513
Operating Transfers Out	(46,854)	(115,104)	(79,568)
Transfers to Component Units	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(46,854)</b>	<b>(115,104)</b>	<b>(72,055)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(171,974)</b>	<b>(130,119)</b>	<b>37,664</b>
FUND BALANCE - Beginning of Year	633,174	633,174	633,174
<b>FUND BALANCE - End of Year</b>	<b>\$ 461,200</b>	<b>\$ 503,055</b>	<b>\$ 670,838</b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**REQUIRED SUPPLEMENTAL INFORMATION**

**MAJOR STREET FUND - BUDGETARY COMPARISON SCHEDULE**

*FISCAL YEAR ENDED JUNE 30, 2006*

	<b>ORIGINAL BUDGET</b>	<b>FINAL AMENDED BUDGET</b>	<b>ACTUAL</b>
<b><u>REVENUE</u></b>			
State Shared - Act 51	\$ 320,377	\$ 311,977	\$ 336,716
Trunkline Maintenance	30,000	30,000	36,553
Interest Income	500	15,000	16,496
Other	161,700	14,868	14,868
<b>TOTAL REVENUE</b>	<b>\$ 512,577</b>	<b>\$ 371,845</b>	<b>\$ 404,633</b>
<b><u>EXPENDITURES</u></b>			
Administration	29,630	30,958	30,802
Routine Maintenance	110,144	175,200	175,443
Winter Maintenance	116,973	112,354	111,380
Construction	54,815	16,064	15,884
State Trunkline Maintenance	39,315	29,715	27,870
Capital Outlay	341,700	82,400	82,060
<b>TOTAL EXPENDITURES</b>	<b>\$ 692,577</b>	<b>\$ 446,691</b>	<b>\$ 443,439</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Operating Transfers (Out)	-	(62,270)	(65,000)
<b>NET CHANGE IN FUND BALANCE</b>	<b>(180,000)</b>	<b>(137,116)</b>	<b>(103,806)</b>
 FUND BALANCE - Beginning of Year	 387,876	 387,876	 387,876
<b>FUND BALANCE - End of Year</b>	<b>\$ 207,876</b>	<b>\$ 250,760</b>	<b>\$ 284,070</b>

The notes to the financial statements are an integral part of this report.

## **OTHER SUPPLEMENTAL INFORMATION**



<b>CITY OF IRON RIVER</b>
---------------------------

**OTHER SUPPLEMENTAL INFORMATION**

**NON-MAJOR GOVERNMENTAL FUNDS - COMBINING BALANCE SHEET**

*JUNE 30, 2006*

	<u>Special Revenue</u>	<u>Debt Service Funds</u>	
	<u>Local Street Fund</u>	<u>Debt Service Fund</u>	<u>Building Authority</u>
<b><u>ASSETS</u></b>			
Cash and Investments (Note C )	\$ 182,747	\$ 7,017	\$ 3,885
Receivables			
Accounts Receivable	6,881		
Due from Other Funds	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<b><u>\$ 189,628</u></b>	<b><u>\$ 7,017</u></b>	<b><u>\$ 3,885</u></b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>LIABILITIES</u></b>			
Accounts Payable	-	-	-
Accrued Salaries and Benefits	1,981		
Due to Other Funds	-		
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<b>\$ 1,981</b>	<b>\$ -</b>	<b>\$ -</b>
 <b><u>FUND BALANCES</u></b>			
Reserved for Local Streets	187,647	-	-
Reserved for Capital Projects			
Reserved for Debt Service		7,017	3,885
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL FUND BALANCES</b>	<b>\$ 187,647</b>	<b>\$ 7,017</b>	<b>\$ 3,885</b>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 189,628</u></b>	<b><u>\$ 7,017</u></b>	<b><u>\$ 3,885</u></b>

<b>CITY OF IRON RIVER</b>
---------------------------

**OTHER SUPPLEMENTAL INFORMATION**

**NON-MAJOR GOVERNMENTAL FUNDS - COMBINING BALANCE SHEET**

*JUNE 30, 2006*

<u>Capital Project Fund</u>	<u>Total</u>
\$ 4,619	\$ 198,268
	6,881
<u>-</u>	<u>-</u>
<b><u>\$ 4,619</u></b>	<b><u>\$ 205,149</u></b>
-	-
	1,981
<u>-</u>	<u>-</u>
<b>\$ -</b>	<b>\$ 1,981</b>
-	187,647
4,619	4,619
<u>-</u>	<u>10,902</u>
<b>\$ 4,619</b>	<b>\$ 203,168</b>
<b><u>\$ 4,619</u></b>	<b><u>\$ 205,149</u></b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**OTHER SUPPLEMENTAL INFORMATION**

**NON-MAJOR GOVERNMENTAL FUNDS - COMBINING STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES**

*YEAR ENDED JUNE 30, 2006*

	<u><b>Special Revenue</b></u>	<u><b>Debt Service Funds</b></u>	
	<u><b>Local Street Fund</b></u>	<u><b>Debt Service Fund</b></u>	<u><b>Building Authority</b></u>
<b><u>REVENUE</u></b>			
Use of money and property	\$ 7,411	\$ 259	\$ 45,564
Miscellaneous local revenue	-	-	-
Intergovernmental	102,936	-	-
<b>TOTAL REVENUE</b>	<b>\$ 110,347</b>	<b>\$ 259</b>	<b>\$ 45,564</b>
<b><u>EXPENDITURES</u></b>			
<b>Current:</b>			
Highways and streets	206,971	-	-
Debt Service			
Principal	-	51,332	30,000
Interest and Fees	-	16,236	15,440
Capital Outlay	-	-	-
Other Expense	-	-	-
Intergovernmental Payments	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 206,971</b>	<b>\$ 67,568</b>	<b>\$ 45,440</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(96,624)</b>	<b>(67,309)</b>	<b>124</b>
<b><u>Other Financing Sources (Uses)</u></b>			
Operating transfers in	65,000	67,568	-
Operating transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>65,000</b>	<b>67,568</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(31,624)</b>	<b>259</b>	<b>124</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>219,271</b>	<b>6,758</b>	<b>3,761</b>
<b>FUND BALANCE - END OF YEAR</b>	<b><u>\$ 187,647</u></b>	<b><u>\$ 7,017</u></b>	<b><u>\$ 3,885</u></b>

<b>CITY OF IRON RIVER</b>
---------------------------

**OTHER SUPPLEMENTAL INFORMATION**

**NON-MAJOR GOVERNMENTAL FUNDS - COMBINING STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES**

*YEAR ENDED JUNE 30, 2006*

<u>Capital Project Fund</u>	<u>Totals</u>
\$ 170	\$ 53,404
-	-
-	102,936
\$ 170	\$ 156,340
-	206,971
-	-
-	81,332
-	31,676
-	-
-	-
-	-
\$ -	\$ 319,979
170	(163,639)
-	132,568
-	-
-	132,568
170	(31,071)
4,449	234,239
<u>\$ 4,619</u>	<u>\$ 203,168</u>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**SPECIAL REVENUE FUNDS – COMBINING BALANCE SHEET**

*JUNE 30, 2006*

	<u>MAJOR STREET FUND</u>	<u>LOCAL STREET FUND</u>	<u>TOTAL</u>
<b><u>ASSETS</u></b>			
Cash and Deposits	\$ 257,819	\$ 182,747	\$ 440,566
Accounts Receivable	<u>30,014</u>	<u>6,881</u>	<u>36,895</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 287,833</u></b>	<b><u>\$ 189,628</u></b>	<b><u>\$ 477,461</u></b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
<b><u>LIABILITIES</u></b>			
Accrued Benefits	<u>3,763</u>	<u>1,981</u>	<u>5,744</u>
<b>TOTAL LIABILITIES</b>	<b>3,763</b>	<b>1,981</b>	<b>5,744</b>
<b><u>FUND EQUITY</u></b>			
Fund Balance, Reserved	<u>284,070</u>	<u>187,647</u>	<u>471,717</u>
<b>TOTAL FUND EQUITY</b>	<b>284,070</b>	<b>187,647</b>	<b>471,717</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 287,833</u></b>	<b><u>\$ 189,628</u></b>	<b><u>\$ 477,461</u></b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**SPECIAL REVENUE FUNDS - COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES**

*FISCAL YEAR ENDED JUNE 30, 2006*

	<b>MAJOR STREET FUND</b>	<b>LOCAL STREET FUND</b>	<b>TOTAL</b>
<b><u>REVENUES</u></b>			
State Shared Revenue - Act 51	\$ 336,716	\$ 102,936	\$ 439,652
Trunkline Maintenance	36,553	-	36,553
Reimbursement - Iron River Watershed	14,868	-	14,868
Interest	16,496	7,411	23,907
	<hr/>	<hr/>	<hr/>
<b>TOTAL REVENUES</b>	<b>\$ 404,633</b>	<b>\$ 110,347</b>	<b>\$ 514,980</b>
 <b><u>EXPENDITURES</u></b>			
Administration	30,802	7,711	38,513
Routine Maintenance	175,443	90,133	265,576
Winter Maintenance	111,380	109,127	220,507
Construction	15,884	-	15,884
State Trunkline Maintenance :			
General Maintenance	10,000	-	10,000
Sweeping	5,231	-	5,231
Traffic	2,341	-	2,341
Snow Removal	10,298	-	10,298
Capital Outlay	82,060	-	82,060
	<hr/>	<hr/>	<hr/>
<b>TOTAL EXPENDITURES</b>	<b>\$ 443,439</b>	<b>\$ 206,971</b>	<b>\$ 650,410</b>
 Excess of Revenues Over (Under)			
Expenditures	(38,806)	(96,624)	(135,430)
 <b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfer In (Out)	(65,000)	65,000	-
 Excess of Revenues and Other Sources			
Over (Under) Expenditures and Other Uses	(103,806)	(31,624)	(135,430)
 FUND BALANCE, JULY 1	<hr/>	<hr/>	<hr/>
	387,876	219,271	607,147
 FUND BALANCE, JUNE 30	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	<b>\$ 284,070</b>	<b>\$ 187,647</b>	<b>\$ 471,717</b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**GENERAL FUND – BALANCE SHEET***JUNE 30, 2006***ASSETS**

Cash and Deposits	\$ 504,391
Delinquent Taxes Receivable	93,810
Accounts Receivable :	
Federal	-
State	-
Other	49,635
Due From Other - Retirees Health Insurance	1,188
Due From Other Funds	<u>53,957</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 702,981</u></u></b>

**LIABILITIES AND FUND EQUITY****LIABILITIES**

Accounts Payable	1,181
Accrued Salaries and Benefits	<u>30,962</u>
<b>TOTAL LIABILITIES</b>	<b>\$ 32,143</b>

**FUND EQUITY**

Fund Balance, Unreserved	<u>670,838</u>
<b>TOTAL FUND EQUITY</b>	<b>670,838</b>

<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u><u>\$ 702,981</u></u></b>
--	---------------------------------

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**GENERAL FUND – STATEMENT OF REVENUES - ACTUAL AND BUDGET**

*FISCAL YEAR ENDED JUNE 30, 2006*

<u>REVENUES</u>			<b>VARIANCE</b>
<u>LOCAL REVENUE</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<b>Favorable (Unfavorable)</b>
<u>Property Tax</u>			
Property Tax	\$ 777,703	\$ 778,000	\$ (297)
Payment in Lieu of Taxes	9,675	10,500	(825)
Penalties, Interest and Fees	<u>26,885</u>	<u>27,000</u>	<u>(115)</u>
<b>Total Property Tax</b>	<b>814,263</b>	<b>815,500</b>	<b>(1,237)</b>
 <b>Interest</b>	 <b>19,107</b>	 <b>17,500</b>	 <b>1,607</b>
 <u>Revenue From Use of Property</u>			
Equipment Rental	243,604	238,025	5,579
Park Rental	122	96	26
Building Rental	6,245	5,650	595
Sign Rental	<u>3,075</u>	<u>2,500</u>	<u>575</u>
 <b>Total Revenue From Use of Property</b>	 <b>253,046</b>	 <b>246,271</b>	 <b>6,775</b>
 <u>Other Local Revenue</u>			
Licenses, Permits and Fines	1,348	1,000	348
Garbage Collection	198,383	198,000	383
Grave Openings	850	1,500	(650)
Ordinance Violations	1,051	1,100	(49)
Reimbursements	22,513	25,000	(2,487)
Donations	60,259	60,259	-
Sale of Fixed Assets	31,753	15,000	16,753
Penalties	8,488	7,900	588
Miscellaneous	<u>5,564</u>	<u>5,770</u>	<u>(206)</u>
 <b>Total Other Local Revenue</b>	 <b>330,209</b>	 <b>315,529</b>	 <b>14,680</b>
 <b>TOTAL LOCAL REVENUE</b>	 <b>\$ 1,416,625</b>	 <b>\$ 1,394,800</b>	 <b>\$ 21,825</b>

The notes to the financial statements are an integral part of this report.



<b>CITY OF IRON RIVER</b>
---------------------------

**GENERAL FUND – STATEMENT OF REVENUES - ACTUAL AND BUDGET**

*FISCAL YEAR ENDED JUNE 30, 2006*

	<u>ACTUAL</u>	<u>BUDGET</u>	<b>VARIANCE Favorable (Unfavorable)</b>
<b><u>STATE REVENUE</u></b>			
State Shared - Sales Tax	454,265	465,846	(11,581)
Metro Act	36,884	36,882	2
DNR Nelson Field	72,270	72,160	110
Liquor Licenses	6,601	6,500	101
	<hr/>	<hr/>	<hr/>
<b>TOTAL STATE REVENUE</b>	<b>\$ 570,020</b>	<b>\$ 581,388</b>	<b>\$ (11,368)</b>
<b>TOTAL REVENUES</b>	<b>\$ 1,986,645</b>	<b>\$ 1,976,188</b>	<b>\$ 10,457</b>
<b><u>OTHER FINANCING SOURCES :</u></b>			
<b><u>Transfer From Other Funds:</u></b>			
Sick Leave Fund	7,513	0	7,513
	<hr/>	<hr/>	<hr/>
<b>TOTAL OTHER FINACING SOURCES</b>	<b>7,513</b>	<b>0</b>	<b>7,513</b>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b><u><u>\$ 1,994,158</u></u></b>	<b><u><u>\$ 1,976,188</u></u></b>	<b><u><u>\$ 17,970</u></u></b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**GENERAL FUND – STATEMENT OF EXPENDITURES – ACTUAL AND BUDGET**

*FISCAL YEAR ENDED JUNE 30, 2006*

	<u>ACTUAL</u>	<u>BUDGET</u>	<b>VARIANCE Favorable (Unfavorable)</b>
<b><u>LEGISLATIVE</u></b>			
<b><u>City Commission</u></b>			
Salaries	\$ 4,775	\$ -	\$ -
Fringe Benefits	365		
Fees and Services	315	-	-
Supplies	100		
Printing/Publishing	25	-	-
Training	594		
Travel	1,899	-	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL LEGISLATIVE</b>	<b>\$ 8,073</b>	<b>\$ 8,300</b>	<b>\$ 227</b>
 <b><u>GENERAL GOVERNMENT</u></b>			
<b><u>City Manager</u></b>			
Salaries	32,942	-	-
Fringe Benefits	30,473		
Membership Dues	75	-	-
Telephone	480		
Training	544	-	-
Transportation/Travel	5,027	-	-
	<hr/>	<hr/>	<hr/>
<b>Total City Manager</b>	<b>69,541</b>	<b>75,265</b>	<b>5,724</b>
 <b><u>Elections</u></b>			
Fees and Services	2,391	-	-
Supplies	1,086		
Printing/Publishing	340	-	-
Meals	87	-	-
	<hr/>	<hr/>	<hr/>
<b>Total Elections</b>	<b>3,904</b>	<b>4,500</b>	<b>596</b>
 <b><u>City Assessor</u></b>			
Contract Services	19,609	-	-
Supplies	1,114		
Printing/Publishing	1,195	-	-
	<hr/>	<hr/>	<hr/>
<b>Total City Assessor</b>	<b>\$ 21,918</b>	<b>\$ 23,000</b>	<b>\$ 1,082</b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**GENERAL FUND – STATEMENT OF EXPENDITURES – ACTUAL AND BUDGET  
(CONTINUED)**

*FISCAL YEAR ENDED JUNE 30, 2006*

<b><u>GENERAL GOVERNMENT</u> (Continued)</b>	<b><u>ACTUAL</u></b>	<b><u>BUDGET</u></b>	<b><u>VARIANCE Favorable (Unfavorable)</u></b>
<b><u>City Clerk</u></b>			
Salaries	\$ 18,837	\$ -	\$ -
Fringe Benefits	18,468		
Fees and Services	63	-	-
Supplies	2,237		
Membership Dues	316	-	-
Printing/Publishing	654		
Training	790	-	-
Travel	1,518		
	<hr/>	<hr/>	<hr/>
<b>Total City Clerk</b>	<b>42,883</b>	<b>43,242</b>	<b>359</b>
 <b><u>City Treasurer</u></b>			
Salaries	21,155	-	-
Fringe Benefits	15,758		
Supplies	6,523	-	-
Printing/Publishing	60		
Membership Dues	365	-	-
Training	884		
Travel	1,588	-	-
	<hr/>	<hr/>	<hr/>
<b>Total City Treasurer</b>	<b>46,333</b>	<b>49,440</b>	<b>3,107</b>
 <b><u>Building Rental</u></b>			
City Hall	22,300	-	-
DPW Garage	23,140		
	<hr/>	<hr/>	<hr/>
<b>Total Building Rental</b>	<b>45,440</b>	<b>45,440</b>	<b>-</b>
 <b><u>Cemetery</u></b>			
Salaries	4,114	-	-
Fringe Benefits	3,099		
Supplies	7	-	-
	<hr/>	<hr/>	<hr/>
<b>Total Cemetery</b>	<b>\$ 7,220</b>	<b>\$ 7,495</b>	<b>\$ 275</b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**GENERAL FUND - STATEMENT OF EXPENDITURES – ACTUAL AND BUDGET  
(CONTINUED)**

*FISCAL YEAR ENDED JUNE 30, 2006*

			<b>VARIANCE Favorable (Unfavorable)</b>
<b><u>GENERAL GOVERNMENT</u></b> (Continued)	<b><u>ACTUAL</u></b>	<b><u>BUDGET</u></b>	
<b><u>City Hall</u></b>			
Salaries	\$ 11,935	\$ -	\$ -
Fringe Benefits	12,772		
Supplies	13,899	-	-
Contract Services	3,577		
Repairs and Maintenance	10,273	-	-
Equipment Rental	650		
Utilities	31,568	-	-
Other	1,098		
	<hr/>	<hr/>	<hr/>
<b>Total City Hall</b>	<b>85,772</b>	<b>86,380</b>	<b>608</b>
 <b><u>CITY PROPERTY</u></b>			
<b><u>Village Chalet</u></b>			
Salaries	3,439	-	-
Fringe Benefits	3,445		
Supplies	732	-	-
Repairs and Maintenance	203		
Utilities	4,115		
	<hr/>	<hr/>	<hr/>
<b>Total Village Chalet</b>	<b>11,934</b>	<b>13,125</b>	<b>1,191</b>
 <b><u>Other Property</u></b>			
Salaries	14,347	-	-
Fringe Benefits	10,351		
Fees and Services	156	-	-
Supplies	306		
Printing/Publishing	285	-	-
Contract Services	726		
Repairs and Maintenance	3,214	-	-
Utilities	265		
Miscellaneous	641		
	<hr/>	<hr/>	<hr/>
<b>Total Other Property</b>	<b>30,291</b>	<b>35,316</b>	<b>5,025</b>
 <b>TOTAL CITY PROPERTY</b>	 <b>\$ 42,225</b>	 <b>\$ 48,441</b>	 <b>\$ 6,216</b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**GENERAL FUND - STATEMENT OF EXPENDITURES –ACTUAL AND BUDGET  
(CONTINUED)**

*FISCAL YEAR ENDED JUNE 30, 2006*

<b><u>GENERAL GOVERNMENT</u></b> (Continued)	<b><u>ACTUAL</u></b>	<b><u>BUDGET</u></b>	<b><u>VARIANCE</u></b> <b>Favorable</b> <b>(Unfavorable)</b>
<b><u>Other</u></b>			
Board of Review	\$ 862	\$ -	\$ -
Computer Consulting	9,208		
Housing Commission	2,225	-	-
Auditing and Accounting	15,155		
Legal Services	29,211	-	-
Insurance	67,263		
Zoning Board	2,068	-	-
Tax Chargebacks	610		
	<hr/>	<hr/>	<hr/>
<b>Total Other</b>	<b>126,602</b>	<b>132,210</b>	<b>5,608</b>
 <b>TOTAL GENERAL GOVERNMENT</b>	 <b>\$ 491,838</b>	 <b>\$ 515,413</b>	 <b>\$ 23,575</b>
 <b><u>PUBLIC SAFETY</u></b>			
<b><u>Police Department</u></b>			
Salaries	\$ 249,086	\$ -	\$ -
Fringe Benefits	248,557		
Printing/Publishing	372	-	-
Dues and Subscriptions	796		
Materials, Supplies and Uniforms	8,021	-	-
Repairs and Maintenance	2,700		
Gas and Oil	5,591	-	-
Insurance	8,609		
Utilities	2,628	-	-
Travel	80		
	<hr/>	<hr/>	<hr/>
<b>Total Police Department</b>	<b>526,440</b>	<b>539,862</b>	<b>13,422</b>
 <b><u>Fire Department</u></b>			
Contract Services	19,000	-	-
Fees	90		
Printing/Publishing	134		
	<hr/>	<hr/>	<hr/>
<b>Total Fire Department</b>	<b>19,224</b>	<b>19,250</b>	<b>26</b>
 <b>TOTAL PUBLIC SAFETY</b>	 <b>\$ 545,664</b>	 <b>\$ 559,112</b>	 <b>\$ 13,448</b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**GENERAL FUND - STATEMENT OF EXPENDITURES – ACTUAL AND BUDGET  
(CONTINUED)**

*FISCAL YEAR ENDED JUNE 30, 2006*

			<b>VARIANCE Favorable (Unfavorable)</b>
<u><b>DEPARTMENT OF PUBLIC WORKS</b></u>	<u><b>ACTUAL</b></u>	<u><b>BUDGET</b></u>	
Salaries	\$ 78,284	\$ -	\$ -
Fringe Benefits	77,748		
Supplies	7,027	-	-
Repairs and Maintenance	29,228		
Professional Services	198	-	-
Gas and Oil	44,567		
Equipment Rental	10,105	-	-
Physical Exams	1,112		
Uniforms	4,050	-	-
Utilities	17,420		
Training	30	-	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL DEPARTMENT OF PUBLIC WORKS</b>	<b>\$ 269,769</b>	<b>\$ 284,817</b>	<b>\$ 15,048</b>
<u><b>HIGHWAY AND STREETS</b></u>			
<u><b>Street Improvements</b></u>			
Repairs and Improvements	10,690		
	<hr/>	<hr/>	<hr/>
<b>Total Street Improvements</b>	<b>10,690</b>	<b>11,000</b>	<b>310</b>
<u><b>Prisoner Labor</b></u>			
Contract Services	19,131		
	<hr/>	<hr/>	<hr/>
<b>Total Prisoner Labor</b>	<b>19,131</b>	<b>18,000</b>	<b>(1,131)</b>
<u><b>Tree Removal</b></u>			
Salaries	5,876	-	-
Fringe Benefits	5,637		
	<hr/>	<hr/>	<hr/>
<b>Total Tree Removal</b>	<b>\$ 11,513</b>	<b>\$ 12,920</b>	<b>\$ 1,407</b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**GENERAL FUND - STATEMENT OF EXPENDITURES – ACTUAL AND BUDGET  
(CONTINUED)**

*FISCAL YEAR ENDED JUNE 30, 2006*

	<u>ACTUAL</u>	<u>BUDGET</u>	<b>VARIANCE Favorable (Unfavorable)</b>
<b><u>HIGHWAYS AND STREETS</u> (Continued)</b>			
<b><u>Sidewalks</u></b>			
Salaries	\$ 2,923	\$ -	\$ -
Fringe Benefits	1,730		
Supplies	1,588	-	-
Equipment Rental	498		
	<hr/>	<hr/>	<hr/>
<b>Total Sidewalks</b>	<b>6,739</b>	<b>8,165</b>	<b>1,426</b>
<b>Street Lights</b>	<b>55,425</b>	<b>56,000</b>	<b>575</b>
<b>TOTAL HIGHWAYS AND STREETS</b>	<b>\$ 103,498</b>	<b>\$ 106,085</b>	<b>\$ 2,587</b>
<b><u>SANITATION AND WASTE REMOVAL</u></b>			
Salaries	28,324	-	-
Fringe Benefits	27,811		
Supplies	549	-	-
Printing/Publishing	227		
Contract Services	74,061	-	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL SANITATION AND WASTE REMOVAL</b>	<b>\$ 130,972</b>	<b>\$ 179,465</b>	<b>\$ 48,493</b>
<b><u>COMMUNITY BETTERMENT</u></b>			
Membership Dues	4,737	-	-
Fees and Services	75		
Donations	3,486	-	-
Community Promotion	8,131		
Printing/Publishing	165		
	<hr/>	<hr/>	<hr/>
<b>TOTAL COMMUNITY BETTERMENT</b>	<b>\$ 16,594</b>	<b>\$ 16,986</b>	<b>\$ 392</b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**GENERAL FUND - STATEMENT OF EXPENDITURES – ACTUAL AND BUDGET  
(CONTINUED)**

*FISCAL YEAR ENDED JUNE 30, 2006*

	<u>ACTUAL</u>	<u>BUDGET</u>	<b>VARIANCE Favorable (Unfavorable)</b>
<b><u>COMMUNITY RECREATION</u></b>			
Salaries	\$ 31,442	\$ -	\$ -
Fringe Benefits	24,022		
Supplies	2,123	-	-
Printing/Publishing	760		
Engineering Services	9,435	-	-
Repairs and Maintenance	11,810		
Gas and Oil	324	-	-
Equipment Rental	566		
Utilities	6,060	-	-
Miscellaneous	541		
<b>TOTAL COMMUNITY RECREATION</b>	<b>\$ 87,083</b>	<b>\$ 96,054</b>	<b>\$ 8,971</b>
 <b>CAPITAL OUTLAY</b>	 <b>223,435</b>	 <b>224,971</b>	 <b>1,536</b>
 <b>TOTAL EXPENDITURES</b>	 <b>\$ 1,876,926</b>	 <b>\$ 1,991,203</b>	 <b>\$ 114,277</b>
 <b><u>OTHER FINANCING USES</u></b>			
<b><u>Transfers To Other Funds :</u></b>			
Debt Service Fund	67,568	68,104	-
Sick Leave Fund	-	35,000	
RV Park Fund	12,000	12,000	-
<b>TOTAL OTHER FINANCING USES</b>	<b>\$ 79,568</b>	<b>\$ 115,104</b>	<b>\$ 35,536</b>
 <b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	 <b><u>\$ 1,956,494</u></b>	 <b><u>\$ 2,106,307</u></b>	 <b><u>\$ 149,813</u></b>

The notes to the financial statements are an integral part of this report.



<b>CITY OF IRON RIVER</b>
---------------------------

**MAJOR STREET FUND - BALANCE SHEET***JUNE 30, 2006***ASSETS**

Cash and Deposits	\$ 257,819
Accounts Receivable	<u>30,014</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 287,833</u></b>

**LIABILITIES AND FUND EQUITY****LIABILITIES**

Accrued Benefits	<u>3,763</u>
<b>TOTAL LIABILITIES</b>	<b>3,763</b>

**FUND EQUITY**

Fund Balance, Reserved	<u>284,070</u>
<b>TOTAL FUND EQUITY</b>	<b>284,070</b>

<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 287,833</u></b>
--	--------------------------

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**MAJOR STREET FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE – ACTUAL AND BUDGET**

*FISCAL YEAR ENDED JUNE 30, 2006*

			<b>VARIANCE Favorable (Unfavorable)</b>
<u><b>REVENUES</b></u>	<u><b>ACTUAL</b></u>	<u><b>BUDGET</b></u>	
<u><b>Local Sources</b></u>			
Interest Income	\$ 16,496	\$ 15,000	\$ 1,496
Reimbursement -Iron River Watershed	<u>14,868</u>	<u>14,868</u>	<u>-</u>
<b>Total Local Sources</b>	<b>31,364</b>	<b>29,868</b>	<b>1,496</b>
 <u><b>State Sources</b></u>			
State Shared Revenue - Act 51	336,716	311,977	24,739
Trunkline Maintenance	<u>36,553</u>	<u>30,000</u>	<u>6,553</u>
<b>Total State Sources</b>	<b>373,269</b>	<b>341,977</b>	<b>31,292</b>
 <b>TOTAL REVENUES</b>	<b>404,633</b>	<b>371,845</b>	<b>32,788</b>
 <u><b>EXPENDITURES</b></u>			
<u><b>Administration</b></u>			
Salaries and Wages	14,775	14,800	25
Fringe Benefits	16,012	16,143	131
Other	<u>15</u>	<u>15</u>	<u>-</u>
<b>Total Administration</b>	<b>30,802</b>	<b>30,958</b>	<b>156</b>
 <u><b>Construction</b></u>			
Salaries and Wages	454	500	46
Fringe Benefits	506	640	134
Printing/Publishing	56	56	-
Contract Services-Iron River Watershed	<u>14,868</u>	<u>14,868</u>	<u>-</u>
<b>Total Construction</b>	<b>\$ 15,884</b>	<b>\$ 16,064</b>	<b>\$ 180</b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**MAJOR STREET FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE – ACTUAL AND BUDGET  
(CONTINUED)**

*FISCAL YEAR ENDED JUNE 30, 2006*

<b><u>EXPENDITURES</u> (Continued)</b>	<b><u>ACTUAL</u></b>	<b><u>BUDGET</u></b>	<b>VARIANCE Favorable (Unfavorable)</b>
<b><u>Routine Maintenance</u></b>			
Salaries and Wages	\$ 40,627	\$ 40,000	\$ (627)
Fringe Benefits	44,543	44,200	(343)
Supplies	12,511	13,000	489
Repairs and Maintenance	18,302	21,000	2,698
Equipment Rental	59,460	57,000	(2,460)
<b>Total Routine Maintenance</b>	<b>175,443</b>	<b>175,200</b>	<b>(243)</b>
 <b><u>Winter Maintenance</u></b>			
Salaries and Wages	23,329	23,800	471
Fringe Benefits	26,013	26,373	360
Contract Services - Snow Removal	3,581	3,581	-
Supplies	6,477	6,600	123
Equipment Rental	51,980	52,000	20
<b>Total Winter Maintenance</b>	<b>111,380</b>	<b>112,354</b>	<b>974</b>
 <b><u>State Trunkline Maintenance</u></b>			
<b><u>General Maintenance</u></b>			
Salaries and Wages	2,660	2,200	(460)
Fringe Benefits	2,904	2,465	(439)
Supplies	-	2,000	2,000
Equipment Rental	4,436	3,400	(1,036)
<b>Total General Maintenance</b>	<b>10,000</b>	<b>10,065</b>	<b>65</b>
 <b><u>Sweeping</u></b>			
Salaries and Wages	1,203	1,500	297
Fringe Benefits	1,286	1,680	394
Equipment Rental	2,742	2,900	158
<b>Total Sweeping</b>	<b>\$ 5,231</b>	<b>\$ 6,080</b>	<b>\$ 849</b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**MAJOR STREET FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE – ACTUAL AND BUDGET  
(CONTINUED)**

*FISCAL YEAR ENDED JUNE 30, 2006*

<b><u>EXPENDITURES</u> (Continued)</b>			<b>VARIANCE</b>
<b><u>State Trunkline Maintenance</u> (Continued)</b>	<b><u>ACTUAL</u></b>	<b><u>BUDGET</u></b>	<b>Favorable</b>
<b><i>Traffic Control</i></b>			<b>(Unfavorable)</b>
Utilities	\$ 2,294	\$ 2,000	\$ (294)
Repairs and Maintenance	<u>47</u>	<u>500</u>	<u>453</u>
<b><i>Total Traffic Control</i></b>	<b>2,341</b>	<b>2,500</b>	<b>159</b>
<b><i>Snow Removal</i></b>			
Salaries and Wages	1,555	1,900	345
Fringe Benefits	1,735	2,070	335
Supplies	2,500	2,500	-
Equipment Rental	<u>4,508</u>	<u>4,600</u>	<u>92</u>
<b><i>Total Snow Removal</i></b>	<b>10,298</b>	<b>11,070</b>	<b>772</b>
<b>Total State Trunkline Maintenance</b>	<b>27,870</b>	<b>29,715</b>	<b>1,845</b>
<b>Capital Outlay</b>	<b>82,060</b>	<b>82,400</b>	<b>340</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 443,439</b>	<b>\$ 446,691</b>	<b>\$ 3,252</b>
Excess of Revenues Over (Under)			
Expenditures	(38,806)	(74,846)	36,040
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfer In (Out)	(65,000)	(65,000)	-
Excess of Revenues and Other Sources			
Over (Under) Expenditures and Other Uses	(103,806)	(139,846)	36,040
<b>FUND BALANCE, JULY 1</b>	<u>387,876</u>		
<b>FUND BALANCE, JUNE 30</b>	<u><u>\$ 284,070</u></u>		

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**LOCAL STREET FUND – BALANCE SHEET***JUNE 30, 2006***ASSETS**

Cash and Deposits	\$ 182,747
Accounts Receivable	<u>6,881</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 189,628</u></b>

**LIABILITIES AND FUND EQUITY****LIABILITIES**

Accrued Benefits	<u>1,981</u>
<b>TOTAL LIABILITIES</b>	<b>\$ 1,981</b>

**FUND EQUITY**

Fund Balance, Reserved	<u>187,647</u>
<b>TOTAL FUND EQUITY</b>	<b>\$ 187,647</b>

<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 189,628</u></b>
--	--------------------------

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**LOCAL STREET FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – ACTUAL AND BUDGET**

*FISCAL YEAR ENDED JUNE 30, 2006*

	<u>ACTUAL</u>	<u>BUDGET</u>	<b>VARIANCE Favorable (Unfavorable)</b>
<b><u>REVENUES</u></b>			
<b><u>Local Sources</u></b>			
Interest Income	\$ 7,411	\$ 6,600	\$ 811
<b>Total Local Sources</b>	<b>7,411</b>	<b>6,600</b>	<b>811</b>
 <b><u>State Sources</u></b>			
State Shared Revenue - Act 51	102,936	96,001	6,935
<b>Total State Sources</b>	<b>102,936</b>	<b>96,001</b>	<b>6,935</b>
 <b>TOTAL REVENUES</b>	<b>\$ 110,347</b>	<b>\$ 102,601</b>	<b>\$ 7,746</b>
 <b><u>EXPENDITURES</u></b>			
<b><u>Administration</u></b>			
Salaries and Wages	3,670	4,000	330
Fringe Benefits	4,041	4,110	69
<b>Total Administration</b>	<b>7,711</b>	<b>8,110</b>	<b>399</b>
 <b><u>Routine Maintenance</u></b>			
Salaries and Wages	23,089	24,400	1,311
Fringe Benefits	25,300	26,047	747
Supplies	2,651	2,500	(151)
Repairs and Maintenance	820	1,000	180
Equipment Rental	38,273	45,000	6,727
<b>Total Routine Maintenance</b>	<b>\$ 90,133</b>	<b>\$ 98,947</b>	<b>\$ 8,814</b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**LOCAL STREET FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE – ACTUAL AND BUDGET  
(CONTINUED)**

*FISCAL YEAR ENDED JUNE 30, 2006*

<u>EXPENDITURES</u> (Continued)	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u> Favorable (Unfavorable)
<u>Winter Maintenance</u>			
Salaries and Wages	\$ 25,895	\$ 27,100	\$ 1,205
Fringe Benefits	24,809	27,895	3,086
Supplies	4,490	4,500	10
Equipment Rental	<u>53,933</u>	<u>54,100</u>	<u>167</u>
<b>Total Winter Maintenance</b>	<b>109,127</b>	<b>113,595</b>	<b>4,468</b>
 <b>TOTAL EXPENDITURES</b>	 <b>\$ 206,971</b>	 <b>\$ 220,652</b>	 <b>\$ 13,681</b>
 Excess of Revenues Over (Under) Expenditures	 (96,624)	 (118,051)	 21,427
 <u><b>OTHER FINANCING SOURCES (USES)</b></u>			
Transfer In (Out)	65,000	65,000	-
 Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	 (31,624)	 (53,051)	 21,427
 FUND BALANCE, JULY 1	 <u>219,271</u>		
 FUND BALANCE, JUNE 30	 <u><u>\$ 187,647</u></u>		

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**DEBT SERVICE FUND – BALANCE SHEET**

*JUNE 30, 2006*

**ASSETS**

Cash and Deposits	<u>\$ 7,017</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 7,017</u></u></b>

**FUND EQUITY**

Fund Balance, Reserved	<u>\$ 7,017</u>
<b>TOTAL FUND EQUITY</b>	<b><u><u>\$ 7,017</u></u></b>

The notes to the financial statements are an integral part of this report.



<b>CITY OF IRON RIVER</b>
---------------------------

**DEBT SERVICE FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – ACTUAL AND BUDGET**

*FISCAL YEAR ENDED JUNE 30, 2006*

**REVENUES**

Interest Income	\$ 259
-----------------	--------

<b>TOTAL REVENUES</b>	<b>\$ 259</b>
-----------------------	---------------

**EXPENDITURES**

**Debt Service**

Principal	51,332
-----------	--------

Interest	16,236
----------	--------

<b>TOTAL EXPENDITURES</b>	<b>\$ 67,568</b>
---------------------------	------------------

Excess of Revenues Over (Under)	
Expenditures	(67,309)

**OTHER FINANCING SOURCES (USES)**

Operating Transfers In (Out)	67,568
------------------------------	--------

Excess of Revenues and Other Sources	
Over (Under) Expenditures and Other Uses	259

FUND BALANCE, JULY 1	6,758
----------------------	-------

<b>FUND BALANCE, JUNE 30</b>	<b>\$ 7,017</b>
------------------------------	-----------------

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**CITY OF IRON RIVER BUILDING AUTHORITY (DEBT SERVICE FUND TYPE) – BALANCE  
SHEET**

*JUNE 30, 2006*

**ASSETS**

Cash and Deposits	<u>\$ 3,885</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 3,885</u></u></b>

**FUND EQUITY**

Fund Balance, Reserved	<u>\$ 3,885</u>
<b>TOTAL FUND EQUITY</b>	<b><u><u>\$ 3,885</u></u></b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**CITY OF IRON RIVER BUILDING AUTHORITY (DEBT SERVICE FUND TYPE) - STATEMENT  
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

*FISCAL YEAR ENDED JUNE 30, 2006*

**REVENUES**

Rental Income - City Hall	\$ 22,300
Rental Income - Public Works Building	23,140
Interest Income	<u>124</u>
<b>TOTAL REVENUES</b>	<b>\$ 45,564</b>

**EXPENDITURES**

**Debt Service - City Hall**

Principal	10,000
Interest	<u>12,300</u>
<b>Total Debt Service - City Hall</b>	<b>22,300</b>

**Debt Service - Public Works Building**

Principal	20,000
Interest	<u>3,140</u>
<b>Total Debt Service - Public Works Building</b>	<b><u>23,140</u></b>

<b>TOTAL EXPENDITURES</b>	<b>\$ 45,440</b>
---------------------------	------------------

Excess of Revenues Over (Under) Expenditures	124
--	-----

FUND BALANCE, JULY 1	<u>3,761</u>
----------------------	--------------

<b>FUND BALANCE, JUNE 30</b>	<b><u><u>\$ 3,885</u></u></b>
------------------------------	-------------------------------

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**CAPITAL PROJECTS FUND – LALLEY ROAD SEWER IMPROVEMENTS – BALANCE SHEET***JUNE 30, 2006***ASSETS**

Accounts Receivable	<u>\$ 345,652</u>
---------------------	-------------------

<b>TOTAL ASSETS</b>	<b><u>\$ 345,652</u></b>
---------------------	--------------------------

**LIABILITIES AND FUND EQUITY****LIABILITIES**

Accounts Payable	<u>345,652</u>
------------------	----------------

<b>TOTAL LIABILITIES</b>	<b><u>345,652</u></b>
--------------------------	-----------------------

**FUND EQUITY**

Fund Balance, Reserved	<u>-</u>
------------------------	----------

<b>TOTAL FUND EQUITY</b>	<b><u>-</u></b>
--------------------------	-----------------

<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 345,652</u></b>
--	--------------------------

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**CAPITAL PROJECTS FUND – LALLEY ROAD SEWER IMPROVEMENTS – STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

*FISCAL YEAR ENDED JUNE 30, 2006*

**REVENUES**

Federal Grant	<u>\$ 738,572</u>
<b>TOTAL REVENUES</b>	<b>\$ 738,572</b>

**EXPENDITURES**

Capital Outlay	<u>738,572</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 738,572</b>

Excess of Revenues Over (Under)	
Expenditures	-

FUND BALANCE, JULY 1	<u>-</u>
----------------------	----------

<b>FUND BALANCE, JUNE 30</b>	<b><u>\$ -</u></b>
------------------------------	--------------------

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**CAPITAL PROJECTS - BARRIS PROPERTY/SKATEBOARD PARK – BALANCE SHEET**

*JUNE 30, 2006*

**ASSETS**

Cash and Deposits	<u>\$ 4,619</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 4,619</u></b>

**FUND EQUITY**

Fund Balance, Reserved	<u>\$ 4,619</u>
<b>TOTAL FUND EQUITY</b>	<b><u>\$ 4,619</u></b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**CAPITAL PROJECTS - BARRIS PROPERTY/SKATEBOARD PARK - STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

*FISCAL YEAR ENDED JUNE 30, 2006*

**REVENUES**

Interest Income	\$ 170
-----------------	--------

<b>TOTAL REVENUES</b>	<b>\$ 170</b>
-----------------------	---------------

**EXPENDITURES**

Professional Services	-
-----------------------	---

Capital Outlay	-
----------------	---

<b>TOTAL EXPENDITURES</b>	<b>\$ -</b>
---------------------------	-------------

Excess of Revenues Over (Under)	
Expenditures	170

**OTHER FINANCING SOURCES (USES)**

Transfer In (Out)	-
-------------------	---

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	170
---	-----

FUND BALANCE, JULY 1	4,449
----------------------	-------

<b>FUND BALANCE, JUNE 30</b>	<b>\$ 4,619</b>
------------------------------	-----------------

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**WATER FUND - BALANCE SHEET**

*JUNE 30, 2006*

	<u>OPERATION</u>	<u>CONSTRUCTION</u>	<u>TOTAL</u>
<b><u>ASSETS</u></b>			
Cash and Deposits:			
Restricted	\$ 405,442	\$ -	\$ 405,442
Unrestricted	101,150	-	101,150
Accounts Receivable	93,330	-	93,330
Due From Other Funds	113,000	-	113,000
Property, Plant and Equipment	12,657,552	-	12,657,552
Accumulated Depreciation	<u>(1,851,186)</u>	<u>-</u>	<u>(1,851,186)</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 11,519,288</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 11,519,288</u></b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
<b><u>LIABILITIES</u></b>			
Accrued Benefits	7,091	-	7,091
Due to Other Funds	46,344	-	46,344
Bonds Payable	<u>6,703,000</u>	<u>-</u>	<u>6,703,000</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 6,756,435</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6,756,435</u></b>
<b><u>FUND EQUITY</u></b>			
Retained Earnings	<u>4,762,853</u>	<u>-</u>	<u>4,762,853</u>
<b>TOTAL FUND EQUITY</b>	<b><u>4,762,853</u></b>	<b><u>-</u></b>	<b><u>4,762,853</u></b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 11,519,288</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 11,519,288</u></b>

The notes to the financial statements are an integral part of this report.



<b>CITY OF IRON RIVER</b>
---------------------------

**WATER FUND - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS**

*FISCAL YEAR ENDED JUNE 30, 2006*

	<u>OPERATION</u>	<u>CONSTRUCTION</u>	<u>TOTAL</u>
<b><u>OPERATING REVENUES</u></b>			
Water Charges	\$ 726,700	\$ -	\$ 726,700
Penalties	23,113	-	23,113
Cost Reimbursement	3,251	-	3,251
Waterline Services	7,053	-	7,053
Equipment Rental	54,957	-	54,957
Antenna Rental	35,481	-	35,481
	<hr/>	<hr/>	<hr/>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 850,555</b>	<b>\$ -</b>	<b>\$ 850,555</b>
 <b><u>OPERATING EXPENSES</u></b>			
<b><u>Office and Administration</u></b>			
Salaries and Wages	42,417	-	42,417
Fringe Benefits	46,702	-	46,702
Supplies	2,964	-	2,964
Printing/Publishing	540	-	540
Memberships and Dues	2,888	-	2,888
Contracted Services	333	-	333
Engineering Services	1,000	-	1,000
Insurance	5,444	-	5,444
Other	987	-	987
	<hr/>	<hr/>	<hr/>
<b>Total Office and Administration</b>	<b>103,275</b>	<b>-</b>	<b>103,275</b>
 <b><u>Public Works</u></b>			
Salaries and Wages	1,777	-	1,777
Fringe Benefits	788	-	788
Supplies	516	-	516
Utilities	4,879	-	4,879
	<hr/>	<hr/>	<hr/>
<b>Total Public Works</b>	<b>7,960</b>	<b>-</b>	<b>5,395</b>
 <b><u>Pump Station</u></b>			
Salaries and Wages	7,137	-	7,137
Fringe Benefits	7,877	-	7,877
Supplies	103	-	103
Utilities	30,366	-	30,366
Maintenance and Repair	2,996	-	2,996
Equipment Rental	3,196	-	3,196
	<hr/>	<hr/>	<hr/>
<b>Total Pump Station</b>	<b>\$ 51,675</b>	<b>\$ -</b>	<b>\$ 51,675</b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**WATER FUND - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
(CONTINUED)**

*FISCAL YEAR ENDED JUNE 30, 2006*

	<u>OPERATION</u>	<u>CONSTRUCTION</u>	<u>TOTAL</u>
<b><u>OPERATING EXPENSES</u> (Continued)</b>			
<b><u>Water Line</u></b>			
Salaries and Wages	\$ 51,345	\$ -	\$ 51,345
Fringe Benefits	56,594	-	56,594
Supplies	4,310	-	4,310
Memberships and Dues	485	-	485
Printing/Publishing	379	-	379
Contracted Services	3,194	-	3,194
Engineering Services	2,486	-	2,486
Water Purchase	2,000	-	2,000
Equipment Rental	20,053	-	20,053
Other	616	-	616
	<hr/>	<hr/>	<hr/>
<b>Total Water Line</b>	<b>141,462</b>	<b>-</b>	<b>141,462</b>
<b><u>Water Line Construction</u></b>			
Salaries and Wages	979	-	979
Fringe Benefits	1,092	-	1,092
Equipment Rental	982	-	982
Other	30	-	30
	<hr/>	<hr/>	<hr/>
<b>Total Water Line Construction</b>	<b>3,083</b>	<b>-</b>	<b>3,083</b>
<b><u>Water Tank</u></b>			
Salaries and Wages	1,284	-	1,284
Fringe Benefits	1,411	-	1,411
Supplies	20	-	20
Utilities	13,497	-	13,497
Equipment Rental	590	-	590
	<hr/>	<hr/>	<hr/>
<b>Total Water Tank</b>	<b>\$ 16,802</b>	<b>\$ -</b>	<b>\$ 16,802</b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**WATER FUND - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
(CONTINUED)**

*FISCAL YEAR ENDED JUNE 30, 2006*

<b><u>OPERATING EXPENSES</u></b> (Continued)	<b><u>OPERATION</u></b>	<b><u>CONSTRUCTION</u></b>	<b><u>TOTAL</u></b>
<b><u>Water Hydrants</u></b>			
Salaries and Wages	\$ 8,466	\$ -	\$ 8,466
Fringe Benefits	9,293	-	9,293
Supplies	412	-	412
Equipment Rental	5,263	-	5,263
<b>Total Water Hydrants</b>	<b>23,434</b>	<b>-</b>	<b>23,434</b>
<b><u>Water Meters</u></b>			
Salaries and Wages	22,318	-	22,318
Fringe Benefits	24,714	-	24,714
Supplies	15,781	-	15,781
Equipment Rental	9,994	-	9,994
<b>Total Water Meters</b>	<b>72,807</b>	<b>-</b>	<b>72,807</b>
<b><u>Other Expenses</u></b>			
Depreciation	254,781	-	254,781
<b>Total Other Expenses</b>	<b>254,781</b>	<b>-</b>	<b>254,781</b>
 <b>TOTAL OPERATING EXPENSES</b>	 <b>\$ 675,279</b>	 <b>\$ -</b>	 <b>\$ 675,279</b>
 Operating Profit (Loss)	 \$ 175,276	 \$ -	 \$ 175,276

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**WATER FUND - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
(CONTINUED)**

*FISCAL YEAR ENDED JUNE 30, 2006*

	<u>OPERATION</u>	<u>CONSTRUCTION</u>	<u>TOTAL</u>
<b><u>NON-OPERATING INCOME</u></b>			
Interest Income	\$ 15,570	\$ -	\$ 15,570
Residual Equity Transfer In (Out)	2,433,139	(2,433,139)	\$ -
<b><u>NON-OPERATING EXPENSE</u></b>			
Interest Expense	(246,832)	-	(246,832)
Net Income (Loss)	2,377,153	(2,433,139)	(55,986)
RETAINED EARNINGS, JULY 1	<u>2,385,700</u>	<u>2,433,139</u>	<u>4,818,839</u>
<b>RETAINED EARNINGS, JUNE 30</b>	<b><u>\$ 4,762,853</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,762,853</u></b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**WATER FUND - STATEMENT OF CASH FLOWS**

*FISCAL YEAR ENDED JUNE 30, 2006*

**CASH FLOWS FROM (USED BY)**

**OPERATING ACTIVITIES**

Net cash received from fees and services	\$ 807,470
Other operating revenues	123,855
Cash payments to employees for services	(283,261)
Cash payments to goods and services	(243,105)
Other operating expenses	-
	-

<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 404,959</b>
---	-------------------

**NON CAPITAL AND FINANCING ACTIVITIES**

Increase (decrease) in due to other funds	(100,331)
(Increase) decrease in due from other funds	40,331
Net operating transfers in (out)	-
	-

<b>NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES</b>	<b>(60,000)</b>
---	-----------------

**CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition and construction of capital assets	(1,440)
Principal payment on long-term bonds	(98,000)
Interest paid on long-term bonds	(246,832)
Interest and tax expense	-
Proceeds from borrowings	-
Cost of Issuance - Bonds	-
Contributed capital grants	-
Other Grants	-
	-

<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(346,272)</b>
--	------------------

**INVESTING ACTIVITIES**

Interest Income	15,570
	15,570

<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>15,570</b>
---	---------------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,257
--	--------

Cash and Cash Equivalents, Beginning of Year	492,335
--	---------

<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 506,592</b>
---	-------------------

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**WATER FUND - STATEMENT OF CASH FLOWS  
(CONTINUED)**

*FISCAL YEAR ENDED JUNE 30, 2006*

**CASH FLOWS FROM OPERATING ACTIVITIES**

Operating Income	\$ 175,276
Adjustment to reconcile operating income to net cash provided by operating activities :	
. Depreciation	254,781
. Provision for uncollectible accounts	
. Changes in assets and liabilities :	
(Increase) Decrease in accounts receivable	80,770
Increase (Decrease) in accounts payable	(106,801)
Increase (Decrease) in accrued benefits	933
Increase (Decrease) in customer deposits	-
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b><u>\$ 404,959</u></b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**SEWER FUND – BALANCE SHEET***JUNE 30, 2006***ASSETS**

## Cash and Deposits:

Restricted	\$    438,886
Unrestricted	115,099
Accounts Receivable	90,822
Property, Plant and Equipment	2,666,718
Accumulated Depreciation	<u>(1,052,406)</u>

<b>TOTAL ASSETS</b>	<b><u>\$    2,259,119</u></b>
---------------------	-------------------------------

**LIABILITIES AND FUND EQUITY****LIABILITIES**

Accrued Benefits	2,840
Due to Other Funds	<u>113,000</u>

<b>TOTAL LIABILITIES</b>	<b>\$    115,840</b>
--------------------------	----------------------

**FUND EQUITY**

Retained Earnings - Reserved for DEQ	389,877
Retained Earnings - Reserved for MH Project	49,009
Retained Earnings - Reserved for Sewer Utility	<u>1,704,393</u>

<b>TOTAL FUND EQUITY</b>	<b>2,143,279</b>
--------------------------	------------------

<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$    2,259,119</u></b>
--	-------------------------------

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**SEWER FUND - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS***FISCAL YEAR ENDED JUNE 30, 2006***OPERATING REVENUES**

Sewer Charges	\$ 750,882
Penalties	26,390
Miscellaneous	<u>6,852</u>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 784,124</b>

**OPERATING EXPENSES****Office and Administration**

Salaries and Wages	36,467
Fringe Benefits	40,416
Supplies	2,489
Insurance	3,424
Printing/Publishing	420
Professional Services	3,018
Contract Services	953
Engineering Services	203,011
Rental Expense	2,400
Permits and Fees	7,620
Miscellaneous	<u>15,255</u>

***Total Office and Administration*** **315,473**

**Sewer Lines**

Salaries and Wages	20,153
Fringe Benefits	23,046
Supplies	3,897
Repairs and Maintenance	5,333
Contract Services	3,663
Equipment Rental	<u>11,504</u>

***Total Sewer Lines*** **\$ 67,596**

The notes to the financial statements are an integral part of this report.



<b>CITY OF IRON RIVER</b>
---------------------------

**SEWER FUND - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
(CONTINUED)**

*FISCAL YEAR ENDED JUNE 30, 2006*

**OPERATING EXPENSES** (Continued)

**Lift Station**

Salaries and Wages	\$ 6,422
Fringe Benefits	6,971
Repairs and Maintenance	7
Utilities	2,430
Equipment Rental	<u>4,420</u>

**Total Lift Station 20,250**

**Sewer Treatment**

Contract Services - O & M	218,318
Contract Services - Debt Retirement	<u>115,701</u>

**Total Sewer Treatment 334,019**

**Other Expenses**

Depreciation	<u>40,995</u>
--------------	---------------

**Total Other Expenses 40,995**

**TOTAL OPERATING EXPENSES \$ 778,333**

Operating Profit (Loss) 5,791

**NON-OPERATING INCOME**

Interest Income 19,959

Net Income (Loss) 25,750

RETAINED EARNINGS, JULY 1 2,117,529

**RETAINED EARNINGS, JUNE 30 \$ 2,143,279**

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**SEWER FUND - STATEMENT OF CASH FLOWS**

*FISCAL YEAR ENDED JUNE 30, 2006*

**CASH FLOWS FROM (USED BY)**

**OPERATING ACTIVITIES**

Net cash received from fees and services	\$ 778,690
Other operating revenues	6,852
Cash payments to employees for services	(133,042)
Cash payments to goods and services	(604,793)
Other operating expenses	<u>                    </u>

<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 47,707</b>
---	------------------

**NON CAPITAL AND FINANCING ACTIVITIES**

Increase (decrease) in due to other funds	(23,689)
(Increase) decrease in due from other funds	-
Net operating transfers in (out)	<u>                    </u>

<b>NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES</b>	<b>(23,689)</b>
---	-----------------

**CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition and construction of capital assets	-
Principal payment on long-term bonds	-
Interest paid on long-term bonds	-
Interest and tax expense	-
Proceeds from borrowings	-
Cost of Issuance - Bonds	-
Contributed capital grants	-
Other Grants	<u>                    </u>

<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>-</b>
--	----------

**INVESTING ACTIVITIES**

Interest Income	<u>19,959</u>
-----------------	---------------

<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>19,959</b>
---	---------------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	43,977
---	--------

Cash and Cash Equivalents, Beginning of Year	<u>510,008</u>
--	----------------

<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 553,985</b>
---	-------------------

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**SEWER FUND - STATEMENT OF CASH FLOWS  
(CONTINUED)**

*FISCAL YEAR ENDED JUNE 30, 2006*

**CASH FLOWS FROM OPERATING ACTIVITIES**

Operating Income	\$ 5,791
Adjustment to reconcile operating income to net cash provided by operating activities :	
. Depreciation	40,995
. Provision for uncollectible accounts	-
. Changes in assets and liabilities :	
(Increase) Decrease in accounts receivable	1,418
Increase (Decrease) in accounts payable	(930)
Increase (Decrease) in accrued benefits	433
Increase (Decrease) in customer deposits	-
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b><u>\$ 47,707</u></b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**RV PARK FUND - BALANCE SHEET***JUNE 30, 2006***ASSETS**

Cash and Deposits:

Restricted \$ -

Unrestricted 11,909

Property, Plant and Equipment 201,372

Accumulated Depreciation (94,589)

**TOTAL ASSETS \$ 118,692****LIABILITIES AND FUND EQUITY****LIABILITIES**

Accrued Benefits 302

**TOTAL LIABILITIES 302****FUND EQUITY**

Retained Earnings 118,390

**TOTAL FUND EQUITY 118,390****TOTAL LIABILITIES AND FUND EQUITY \$ 118,692**

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**RV PARK FUND - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS**

*FISCAL YEAR ENDED JUNE 30, 2006*

**OPERATING REVENUES**

Park Revenue	\$ 2,500
Reimbursements	<u>10,476</u>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 12,976</b>

**OPERATING EXPENSES**

**General and Administration**

Supplies	1,107
Utilities	10,549
Insurance	218
Maintenance and Repair	224
Fees and Services	<u>380</u>

***Total General and Administration*** **12,478**

**Routine Maintenance**

Salaries and Wages	368
Fringe Benefits	427
Equipment Rental	<u>425</u>

***Total Routine Maintenance*** **1,220**

**Winter Maintenance**

Salaries and Wages	16
Fringe Benefits	<u>1</u>

***Total Winter Maintenance*** **\$ 17**

The notes to the financial reports are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**RV PARK FUND - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED  
EARNINGS  
(CONTINUED)**

*FISCAL YEAR ENDED JUNE 30, 2006*

**Other Expenses**

Depreciation	<u>\$ 7,139</u>
--------------	-----------------

<b>Total Other Expenses</b>	<b>7,139</b>
-----------------------------	--------------

<b>TOTAL OPERATING EXPENSES</b>	<b><u>\$ 20,854</u></b>
---------------------------------	-------------------------

OPERATING INCOME (LOSS)	(7,878)
-------------------------	---------

**NON-OPERATING INCOME**

Interest Income	311
-----------------	-----

Operating Transfer In	<u>12,000</u>
-----------------------	---------------

<b>NET INCOME (LOSS)</b>	<b>4,433</b>
--------------------------	--------------

<b>RETAINED EARNINGS, JULY 1</b>	<u>113,957</u>
----------------------------------	----------------

<b>RETAINED EARNINGS, JUNE 30</b>	<b><u>\$ 118,390</u></b>
-----------------------------------	--------------------------

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**RV PARK FUND - STATEMENT OF CASH FLOWS**

*FISCAL YEAR ENDED JUNE 30, 2006*

**CASH FLOWS FROM (USED BY)**

**OPERATING ACTIVITIES**

Net cash received from fees and services	\$ 2,500
Other operating revenues	10,476
Cash payments to employees for services	(384)
Cash payments to goods and services	(13,329)
Other operating expenses	-
	-

<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ (737)</b>
---	-----------------

**NON CAPITAL AND FINANCING ACTIVITIES**

Increase (decrease) in due to other funds	-
(Increase) decrease in due from other funds	-
Net operating transfers in (out)	12,000
	12,000

<b>NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES</b>	<b>12,000</b>
---	---------------

**CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition and construction of capital assets	-
Principal payment on long-term bonds	-
Interest paid on long-term bonds	-
Interest and tax expense	-
Proceeds from borrowings	-
Cost of Issuance - Bonds	-
Contributed capital grants	-
Other Grants	-
	-

<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>-</b>
--	----------

**INVESTING ACTIVITIES**

Interest Income	311
	311

<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>311</b>
---	------------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,574
--	--------

Cash and Cash Equivalents, Beginning of Year	335
	335

<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 11,909</b>
---	------------------

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**RV PARK FUND - STATEMENT OF CASH FLOWS  
(CONTINUED)**

*FISCAL YEAR ENDED JUNE 30, 2006*

**CASH FLOWS FROM OPERATING ACTIVITIES**

Operating Income	\$ (7,878)
Adjustment to reconcile operating income to net cash provided by operating activities :	
. Depreciation	7,139
. Provision for uncollectible accounts	
. Changes in assets and liabilities :	
(Increase) Decrease in accounts receivable	
Increase (Decrease) in accounts payable	
Increase (Decrease) in accrued benefits	2
Increase (Decrease) in customer deposits	
	<hr/>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b><u><u>\$ (737)</u></u></b>

The notes to the financial statements are an integral part of this report.



<b>CITY OF IRON RIVER</b>
---------------------------

**DOWNTOWN DEVELOPMENT AUTHORITY - BALANCE SHEET - DISCRETELY PRESENTED  
COMPONENT UNIT**

*JUNE 30, 2006*

**ASSETS**

Cash and Deposits	\$ 9,430
Taxes Receivable	<u>1,869</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 11,299</u></b>

**LIABILITIES AND FUND EQUITY**

**LIABILITIES**

Accounts Payable	<u>759</u>
<b>TOTAL LIABILITIES</b>	<b>759</b>

**FUND EQUITY**

Fund Balance, Unreserved	<u>10,540</u>
<b>TOTAL FUND EQUITY</b>	<b>10,540</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 11,299</u></b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**DOWNTOWN DEVELOPMENT AUTHORITY - STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – DISCRETELY PRESENTED COMPONENT UNIT**

*FISCAL YEAR ENDED JUNE 30, 2006*

**REVENUES**

Property Tax	\$ 18,739
Interest Income	<u>614</u>
<b>TOTAL REVENUES</b>	<b>\$ 19,353</b>

**EXPENDITURES**

Community Promotion	5,225
Professional Services	7,273
Supplies	653
Printing/Publishing	1,623
Repairs and Maintenance	<u>7,453</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 22,227</b>

Excess of Revenues Over (Under) Expenditures	(2,874)
---	---------

FUND BALANCE, JULY 1	<u>13,414</u>
----------------------	---------------

<b>FUND BALANCE, JUNE 30</b>	<b><u><u>\$ 10,540</u></u></b>
------------------------------	--------------------------------

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**TAX INCREMENT FINANCING AUTHORITY - BALANCE SHEET – DISCRETELY  
PRESENTED COMPONENT UNIT**

*JUNE 30, 2006*

**ASSETS**

Cash and Deposits	\$ 120,592
Investment - Central School Project	<u>40,755</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 161,347</u></b>

**LIABILITIES AND FUND EQUITY**

**LIABILITIES**

Accrued Benefits	665
Accounts Payable	<u>2,415</u>
<b>TOTAL LIABILITIES</b>	<b>3,080</b>

**FUND EQUITY**

Fund Balance, Unreserved	<u>158,267</u>
<b>TOTAL FUND EQUITY</b>	<b>158,267</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 161,347</u></b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**TAX INCREMENT FINANCING AUTHORITY - STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – DISCRETELY PRESENTED COMPONENT UNIT**

*FISCAL YEAR ENDED JUNE 30, 2006*

**REVENUES**

Property Tax	\$ 147,272
Charges for Services	\$ 3,581
Interest Income	<u>5,293</u>

**TOTAL REVENUES** **\$ 156,146**

**EXPENDITURES**

Salaries and Wages	8,953
Fringe Benefits	9,946
Rebates	16,385
Supplies	226
Contract Services	37,589
Equipment Rental	15,673
Community Promotion	2,546
Printing/Publishing	493
Utilities	13,078
Travel	<u>1,550</u>

**TOTAL EXPENDITURES** **\$ 106,439**

Excess of Revenues Over (Under)  
Expenditures 49,707

FUND BALANCE, JULY 1 108,560

**FUND BALANCE, JUNE 30** **\$ 158,267**

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**COMMUNITY PRIDE - BALANCE SHEET – DISCRETELY PRESENTED COMPONENT UNIT**

*JUNE 30, 2006*

**ASSETS**

Cash and Deposits	\$ -
<b>TOTAL ASSETS</b>	<b>\$ -</b>

**FUND EQUITY**

Fund Balance, Unreserved	\$ -
<b>TOTAL FUND EQUITY</b>	<b>\$ -</b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
---------------------------

**COMMUNITY PRIDE - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - DISCRETELY PRESENTED COMPONENT UNIT**

*FISCAL YEAR ENDED JUNE 30, 2006*

**REVENUES**

Donations	<u>\$ 100</u>
<b>TOTAL REVENUES</b>	<b>\$ 100</b>

**EXPENDITURES**

Supplies	<u>195</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 195</b>

Excess of Revenues Over (Under)	
Expenditures	(95)

FUND BALANCE, JULY 1	<u>95</u>
----------------------	-----------

<b>FUND BALANCE, JUNE 30</b>	<b><u>\$ -</u></b>
------------------------------	--------------------

The notes to the financial statements are an integral part of this report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

# ***DS Rostagno, CPA, P.C.***

*101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042*

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and Members of the City Council  
**City of Iron River**  
106 West Genesee Street  
Iron River, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the **City of Iron River** as of and for the year ended June 30, 2006, which collectively comprise the **City of Iron River's** basic financial statements, and have issued our report thereon dated October 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **City of Iron River's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **City of Iron River's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.



However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the **City of Iron River**, Iron River, Michigan in a separate letter dated October 13, 2006.

This report is intended solely for the information and use of the audit committee, management, the Board, and federal awarding agencies and pass-through entities, and it is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with a large, stylized initial "D".

Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.

October 13, 2006

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

# ***DS Rostagno, CPA, P.C.***

***101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042***

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Members of the City Council  
**City of Iron River**  
106 West Genesee Street  
Iron River, Michigan 49935

### Compliance

We have audited the compliance of the **City of Iron River** with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The **City of Iron River's** major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs, and the Schedule of Expenditures of Federal Awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the **City of Iron River's** management. Our responsibility is to express an opinion on the **City of Iron River's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the **City of Iron River's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the **City of Iron River's** compliance with those requirements.

In our opinion, the **City of Iron River** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

### Internal Control Over Compliance

The management of the **City of Iron River** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the **City of Iron River's** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board, administration, and federal awarding agencies and pass-through entities, and it is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with the first name "Dianne" being more prominent than the last name "Rostagno".

Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.

October 13, 2006

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND SUPPORTING SCHEDULES**

<b>CITY OF IRON RIVER</b>
---------------------------

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*FISCAL YEAR ENDED JUNE 30, 2006*

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE <u>GRANT NUMBER</u>	FEDERAL CFDA <u>NUMBER</u>	APPROVED GRANT AWARD <u>AMOUNT</u>	ACCRUED (DEFERRED) REVENUE <u>7/1/05</u>	(MEMORANDUM ONLY) PRIOR YEAR <u>EXPENDITURES</u>	CURRENT YEAR <u>EXPENDITURES</u>	CURRENT YEAR CASH <u>RECEIPTS</u>	ACCRUED (DEFERRED) REVENUE <u>6/30/06</u>	<u>ADJUSTMENTS</u>
<u>Department of Housing And Urban Development</u>								
Michigan Economic Development Corporation Lalley Road Sanitary Sewer Rehabilitation								
CDBG#MSC204046-PW *	14.219	\$ 768000	\$ -0-	\$ -0-	\$ 738572	\$ 392920	\$ 345652	\$ -0-
<b>TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		<b>\$ 768000</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 738572</b>	<b>\$ 392920</b>	<b>\$ 345652</b>	<b>\$ -0-</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<b>\$ 768000</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 738572</b>	<b>\$ 392920</b>	<b>\$ 345652</b>	<b>\$ -0-</b>

**NOTES:**

1. \*Designates Major Program
2. In accordance with OMB Circular A-133, since federal awards expended were greater than \$300,000 but less than \$10 million, Type A programs are those programs with expended funds of \$300,000 or more. Based on this threshold, the Lalley Road Sanitary Sewer Rehabilitation was the only Type A program.

<b>CITY OF IRON RIVER</b>
---------------------------

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*FOR THE FISCAL YEAR ENDED JUNE 30, 2006*

**A. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the **City of Iron River** and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**B. MAJOR PROGRAMS**

Major programs were determined by a risk based approach, which includes consideration of current and prior audit expenses, oversight by federal agencies and pass-through entities, and inherent risk of the program in addition to the \$300,000 expenditure threshold.

<b>CITY OF IRON RIVER</b>
---------------------------

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*FOR THE YEAR ENDED JUNE 30, 2006*

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- . Material weakness(es) identified? \_\_\_ yes X no
- . Reportable condition(s) identified  
that are not considered to be  
material weakness(es)? \_\_\_ yes X none reported

Noncompliance material to financial  
statements noted? \_\_\_ yes X no

***Federal Awards***

Internal control over major programs:

- . Material weakness(es) identified? \_\_\_ yes X no
- . Reportable condition(s) identified  
that are not considered to be  
material weakness(es)? \_\_\_ yes X none reported

Type of auditor's report issued on compliance for major  
programs: *Unqualified*

Any audit findings disclosed that are  
required to be reported in accordance  
with section 510(a) of Circular A-133? \_\_\_ yes X no

Identification of major programs:

***CFDA Numbers***

***Name of Federal Program of Cluster***

<u>14.219 US Department of Housing</u>	<u>Lalley Road Sanitary Sewer</u>
<u>and Urban Development</u>	<u>Rehabilitation</u>

Dollar threshold used to distinguish  
between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? \_\_\_ yes X no



<b>CITY OF IRON RIVER</b>
---------------------------

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*FOR THE YEAR ENDED JUNE 30, 2006*  
(Continued)

**SECTION II - FINANCIAL STATEMENT FINDINGS**

There are no matters to be reported.

<b>CITY OF IRON RIVER</b>
---------------------------

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*FOR THE YEAR ENDED JUNE 30, 2006*  
(Continued)

**SECTION III- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There are no matters to be reported.